

# The Dynamic, Caring Capital City of Choice in KZN

## CHAIRMAN'S REPORT FOR THE YEAR ENDED 30 JUNE 2009

Another successful year of containing crime in the Pietermaritzburg Central District; another year of cooperation with SAPS and the NPA and financial support from the PMB/Msunduzi Municipality as well as from Business, through Business Fighting Crime. As the grandfather and originator of the project, Des Winship, my predecessor and first Chairman said last year, and the years before that "the results reflect the contribution of Safe City's successful operation". This really is a wonderful story and a tribute to his vision.

Our 70 cameras around the City and the monitoring control room manned 24/7 by the staff of IVision (our contracted partners) as well as SAPS is truly impressive. It is something of which the City and all of us should be proud and contribute to making us the City of Choice.

Business Fighting Crime, Pietermaritzburg is administered by the Pietermaritzburg Chamber of Business; both are not-for-profit registered organizations whose Boards of Directors are appointed to provide an honorary service to the community. Both organizations support the Safe City operation in many ways, both financial and advisory; Safe City Board members likewise act in an honorary capacity and have given many hours of service in the cause of reducing the incidence of crime in Pietermaritzburg.

We are, as the Chairman said last year, trying to maintain the latest technology, however this is proving more complex as our operating budget has again been restricted to the budget we were given more than two years ago. It is all very well to grant welcome capital expenditure requests for future development in Edendale or the Harry Gwala stadium (in prospect) or the Freedom Square taxi rank (which have been installed) but the screen coverage and manning of those screens cannot be overlooked. Restricting our monthly "grants" is now beginning to threaten our operating efficiency and as a result we are considering restructuring the operations in order to curtail costs.

However, we are all extremely proud of our viewing successes – of our contribution towards the identification and arrest of suspects; and with our partnership between SAPS and the NPA of an improving conviction rate. We have impressed SAPS nationally with our coverage of major Trials and the City management with our coverage of the Municipal strike which led to the apprehension of some strikers. Our mobile camera has proved extremely useful in some previously "uncovered" areas and for marketing our operation at the Royal Show – so much so that we need to consider further mobile cameras for future high profile events or destinations where SAPS may be experiencing sudden spikes in criminal activities.

We are the first designated Municipal Entity of the Msunduzi Municipality, yet since our designation and our contract with the Municipality was signed we remain extremely concerned about the lack of representation of City Councillors or Senior officials on our Board. Although Mr Kenny Chetty, the Head of Municipal Security was nominated and welcomed to our Board we believe the nomination of at least one Councillor and a senior official from Treasury would improve communications and understanding between Council, the Municipality and our operations.


Another work-in-progress involves once a month meetings between SAPS and the NPA where the progress of our "Screen footage" from the camera room and the corresponding dockets from SARS come together in Court "K" in the Magistrates Court, Business Fighting Crime supplied screens for the Prosecutor and Magistrate (as well as lawyers for the accused) to view footage of suspected criminal incidents; many successful prosecutions have occurred as a result. Our thanks to the Prosecutor and her Supervisor in Court K, as well as the SAPS representatives who have co-operated in this partnership to secure convictions. Our involvement with the NPA has also included participation in training of Prosecutors and encouraging a better understanding of how to utilise the camera footage.



My thanks to all my colleagues on our Board for their support and contributions but especially to my predecessor Des Winship "Oom Des", whose calm and practical background knowledge and advice has been invaluable as well as my compatriot Chairman of Business Fighting Crime, Dem Kambouris, whose support of this initiative and attention to detail has made my job so much easier.

Thank you also to Nutan Bhika the CEO of Safe City, Lucas Holtshausen, Jason Herbert and the staff of IVision, as well as the Project Manager, Pieter van Rensburg and the camera maintenance operator, Provicom and their local maintenance staff member Riaan Holtshausen who have worked so efficiently to keep the "Eye of the Elephant" alert and effective at all times.

Finally I would like to thank all our sponsors and contributors who continued to make this operation a success; besides the Municipality whose support is so essential, I would like to acknowledge Hulett Aluminium, our lawyers Venn Nemeth and Hart, Auditors Deloitte and Touche, the Witness newspaper and all our other sponsors.



**P WARMINGTON**





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## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SAFE CITY PIETERMARITZBURG

### Report on the Financial Statements

We have audited the annual financial statements of Safe City Pietermaritzburg which comprise the statement of financial position as at 30 June 2009, the statement of financial performance and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 15.

### Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

National Executive: GG Gelink Chief Executive: AE Swiegers Chief Operating Officer: GM Pinnock Audit:  
DL Kennedy Tax & Legal and Risk Advisory I. Geeringh Consulting I. Barn Corporate Finance CR. Beukman Finance  
TJ Brown Clients & Markets NT Mtoba Chairman of the Board CR Quality Deputy Chairman of the Board  
Regional Leader: GC Brazier

A full list of partners and directors is available on request.

B-BBEE rating: Level 3 contributor/AA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu



### Qualifications

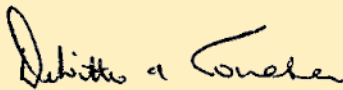
#### Cash collections and donations

In common with similar organisations, it is not feasible for Safe City Pietermaritzburg to institute accounting controls over cash collections and donations prior to initial entry of the collections in the accounting records. Accordingly, it was impractical for us to extend our examination beyond the receipts actually recorded.

### Opinion

In our opinion, except for the effect on the annual financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the association as of 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The detailed statement of financial performance and list of contributors set out on pages 16 and 17 do not form part of the annual financial statements and are presented solely for the information of the members. Accordingly, we do not express an opinion on these schedules.



**Deloitte & Touche**  
**Per D McArthur**  
**(Registered Accountant and Auditor)**  
**Partner**  
**Pietermaritzburg**

**21 July 2009**



# The Dynamic, Caring Capital City of Choice in KZN

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2009

The directors have pleasure in presenting their report for the year ended 30 June 2009.

### REVIEW OF THE OPERATIONS FOR THE YEAR

The financial position of the association at 30 June 2009 is set out in the attached annual financial statements. The statement of financial performance reflects an operating surplus for the year of R12 239 (2008: R54 795).

### SUBSEQUENT EVENTS

No material fact or circumstances has occurred between the reporting date and the date of this report.

### DIRECTORS

The following members acted as directors during the year under review:

P Warmington (Chairman)  
W D Winship  
V C Biggs  
P Henwood (retired in Nov 2008)  
M Ghela  
R P Stuart  
P Maharaj  
N K Bhikha (CEO)  
J A Vorster  
D Sokhela  
D Harrison  
D Kambouris  
I Dugmore

### CHAIRMAN

P Warmington (appointed 01/07/2008)

### CHIEF EXECUTIVE OFFICER

N K Bhikha

### PLACE OF BUSINESS

City Hall  
Chief Albert Luthuli Road  
PIETERMARITZBURG 3201

### NATURE OF BUSINESS

An Association between business, the local authority, the community, government and non-government organisations to proactively combat crime in Pietermaritzburg.



### AUDITORS

Deloitte & Touche

### BANKERS

First National Bank

### ACKNOWLEDGEMENTS

Deloitte & Touche for their engagement in carrying out a partly honorary audit for Safe City.



# The Dynamic, Caring Capital City of Choice in KZN

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
Revenue		2 642 582	2 631 579
Interest received		63 460	76 556
Total income		2 706 042	2 708 135
Operating expenses		2 693 803	2 653 340
Operating surplus for the year	4	12 239	54 795
Transfers (to)/from reserves	5	(12 239)	(54 795)
-Non-distributable reserve -General		12 239	54 795
SURPLUS for the year		-	-

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

	Note	2009 R	2008 R
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Property, plant and equipment	7	51 321	70 090
CURRENT ASSETS		826 534	1 056 074
Accounts receivable		27 080	4 499
Cash on hand and balances with banks	8	799 454	1 051 575
<b>TOTAL ASSETS</b>		<b>877 855</b>	<b>1 126 164</b>
<b>EQUITY AND LIABILITIES</b>			
EQUITY RESERVES			
Non-distributable reserve - general	5	868 423	856 184
CURRENT LIABILITIES		9 432	269 980
Accounts payable		9 432	269 980
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>877 855</b>	<b>1 126 164</b>



## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
<b>OPERATING ACTIVITIES</b>			
Cash receipts from donors		2 683 462	2 631 579
Cash paid to suppliers and employees		(2 991 646)	(2 605 794)
Cash (utilised in)/generated from operations A		(308 184)	25 785
Interest received		63 460	76 556
Interest paid		(199)	(485)
Net cash (utilised in)/generated from operating activities		(244 923)	101 856
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(7 198)	(73 382)
Net cash flow used in investing activities		(7 198)	(73 382)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(252 121)	28 474
Cash and cash equivalents at beginning of the year		1 051 575	1 023 101
CASH AND CASH EQUIVALENTS AT END OF THE YEAR B		799 454	1 051 575

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
<b>A. RECONCILIATION OF OPERATING SURPLUS FOR THE YEAR TO CASH UTILISED IN OPERATIONS</b>			
Operating surplus for the year		12 239	54 795
Adjustment for:			
Interest received		(63 460)	(76 556)
Interest paid		199	485
Depreciation		25 967	21 915
Working capital changes		(25 055)	639
(increase)/decrease in accounts receivable		(22 581)	61 422
Decrease in accounts payable		(260 548)	(36 276)
Cash (utilised in)/generated from operations		(308 184)	25 785





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## B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Bank	799 454	1 051 575
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice ("GAAP") including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice ("GRAP") issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

#### Standard of GRAP

GRAP 1: Presentation of financial statements  
GRAP 2: Cash flow statements  
GRAP 3: Accounting policies, changes in accounting estimates and errors

#### Replaced Statement of GAAP

AC 101: Presentation of financial statements  
AC 118: Cash flow statements  
AC 103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

A. Terminology differences:

#### Standard of GRAP

Statement of financial performance  
Statement of financial position  
Statement of changes in net assets  
Net assets  
Surplus/deficit for the period  
Accumulated surplus/deficit  
Contributions from owners  
Distributions to owners  
Reporting date

#### Replaced Statement of GAAP

Income statement  
Balance sheet  
Statement of changes in equity  
Equity  
Profit/loss for the period  
Retained earnings  
Share capital  
Dividends  
Balance sheet date

- B. The cash flow statement can only be prepared in accordance with the direct method.  
C. Specific information such as:

- Receivables from non-exchange transactions, including taxes and transfers.
- Taxes and transfers payable.
- Trade and other payables from non-exchange transactions must be presented separately on the statement of financial position.



D. Amount and nature of any restrictions on cash balances is required to be disclosed.

## 2. Adoption of new and revised International Financial Reporting Standards ("IFRS")

In the current year, the directors have adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the association's accounting policies.

The following interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period.

Number	Name	Effective for years commencing on or after
IFRS 7	Financial Instruments: Disclosures	Effective for annual reporting periods beginning on or after 1 January 2008.
IFRIC 7	Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies	Effective for annual reporting periods beginning on or after 1 March 2006.
IFRIC 8	Scope of IFRS 2	Effective for annual reporting periods beginning on or after 1 May 2006.
IFRIC 9	Reassessment of Embedded Derivatives	Effective for annual reporting periods beginning on or after 1 June 2006.
IFRIC 10	Interim Financial Reporting and Impairment	Effective for annual reporting periods beginning on or after 1 November 2006.
IFRIC 11 IFRS 2	Group and Treasury Share Transactions	Effective for annual periods beginning on or after 1 March 2008.
IFRIC 12	Service Concession Arrangements	Effective for annual periods beginning on or after 1 January 2008.
IFRIC 13	Customer Loyalty Programmes	Effective for annual periods beginning on or after 1 July 2008.
IFRIC 14/IAS 19	The limit on Defined Benefit Assets Minimum Funding Requirements	Effective for annual periods beginning on or after 1 January 2008.

The adoption of these interpretations has not led to any changes in the association's accounting policies.



## The Dynamic, Caring Capital City of Choice in KZN

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

Number	Name	Effective for years commencing on or after
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Effective for annual accounting periods beginning on or after 1 October 2008.
IFRS 8	Operating Segments	Effective for annual periods beginning on or after 1 January 2009.
IAS 23	(Revised) Borrowing costs	Effective for annual periods beginning on or after 1 January 2009
IFRIC 15	Agreements for the construction of real estate	Effective for annual periods beginning on or after 1 January 2009.
IFRS 2	(Revised) Share-based payment	Effective for annual periods beginning on or after 1 January 2009
IFRS 3	(Revised) Business combinations	Effective for annual periods beginning on or after 1 July 2009
IAS 1	(Revised) Presentation of financial statements	Effective for annual periods beginning on or after 1 January 2009
IAS 27	(Revised) Consolidated and separate financial statements	Effective for annual periods beginning on or after 1 July 2009
IAS 28	(Revised) Investment in associate	Effective for annual periods beginning on or after 1 July 2009
IAS 31	(Revised) Interest in joint ventures	Effective for annual periods beginning on or after 1 July 2009
IAS 32	(Revised) Financial instruments	Effective for annual periods beginning on or after 1 January 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the organisation.



## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Revenue

Revenue comprises cash contributions from the Msunduzi Municipality and does not include contributions in specie.

### 3.2 Interest

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

### 3.3 Property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful life to an estimated residual value. Years

Furniture & fittings	5
Computer equipment	3
Other	5

## 4. OPERATING SURPLUS FOR THE YEAR

	2009 R	2008 R
Operating surplus for the year year is stated after:		
Audit fees		
- current year	10 250	902
Depreciation	25 967	21 915
Administration salaries	2 222 795	2 152 294
Interest paid	199	485



## The Dynamic, Caring Capital City of Choice in KZN

### 5. NON-DISTRIBUTABLE RESERVE -GENERAL

	2009 R	2008 R
The Association is registered under Section 21 of the Companies Act, 1973, as an incorporated association not for gain and, as such, no part of its income and property shall be transferred to members, directly or indirectly. All reserves of the Association are therefore non-distributable and may only be utilised towards the cost of projects and initiatives and meeting any shortfall in expenditure.		
Balance at beginning of the year	856 184	801 388
Operating surplus for the year	12 239	54 796
Balance at end of the year	<u>868 423</u>	<u>856 184</u>
Administration salaries	2 222 795	2 152 294
Interest paid	199	485

### 6. TAXATION

No provision for taxation is necessary, as the income of the Association is exempt in terms of section 10(1)(cB) of the Income Tax Act, 1962, as amended.

### 7. PROPERTY, PLANT AND EQUIPMENT

Furniture and fittings	39 761	52 684
Computer equipment	10 412	14 858
Office equipment	1 148	2 548
	<u>51 321</u>	<u>70 090</u>

Reconciliation of net book value at beginning of the year to net book value at end of the year.

	Net Book value at beginning of year R	Additions R	Disposals R	Depreciation R	Net Book value at end of year R
Furniture and fittings	52 684	-	-	(12 923)	39 761
Computer equipment	14 858	7 198	-	(11 644)	10 412
Office equipment	2 548	-	-	(1 400)	1 148
Total - 2009	<u>70 090</u>	<u>7 198</u>	<u>-</u>	<u>(25 967)</u>	<u>51 321</u>
Total - 2008	<u>18 623</u>	<u>73 382</u>	<u>-</u>	<u>(21 915)</u>	<u>70 090</u>



## 8. CASH ON HAND AND BALANCES WITH BANKS

	2009 R	2008 R
Balance	799 454	1 051 575

It is the intention of the board that the surplus funds be utilised to improve operational efficiency in the foreseeable future.

## 9. RELATED PARTY TRANSACTIONS

Business Fighting Crime is a related party of Safe City and transactions conducted between these parties are at arms length.

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
REVENUE		
Interest received	63 460	76 556
TOTAL INCOME	63 460	76 556
Less: ADMINISTRATION EXPENDITURE	(2 693 803)	(2 653 340)
Accounting fees	16 989	10 683
Administration salaries	289 997	366 148
Advertising and promotions	6 166	6 004
Assets written off	2 671	6 185
Audit fees		
-current	10 250	902
-overprovision	-	-
-Bank charges	4 984	3 413
Cleaning	7 215	8 055
Computer expenses	16 206	43 670
Contractor staff costs	1 932 799	1 786 146
Courier and postage	133	312
Depreciation	25 967	21 915
Electricity and water	16 191	13 422
Entertainment expenses	2 098	1 545
General expenses	3 670	2 105
Interest paid	199	485
Legal fees	3 614	-
Motor vehicle expenses	192	589





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Printing and stationery	25 338	45 915
Repairs and maintenance	554 088	297 063
Staff welfare	906	1 800
Subscriptions	(3 017)	-
Telephone and fax	30 916	36 913
Travel and accommodation	-	70
Write-back of VAT provision	(253 769)	-
OPERATING DEFICIT after administration expenditure	(2 630 343)	(2 576 783)
CONTRIBUTIONS received	2 642 582	2 631 579
OPERATING SURPLUS FOR THE YEAR	12 239	54 796
<u>Administration expenditure</u>	%	%
Personnel costs	83	81
Repairs and maintenance	21	11
Other	(4)	8
	100	100

### LIST OF CONTRIBUTORS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
Msunduzi Municipality (inclusive of VAT)	3 000 000	3 000 000

Contributions by business are referred to in the Chairman's report.

### REPORT SUBMITTED BY CEO – CONTROL CENTRE KEY PERFORMANCE INDICATORS (KPI)

The success of the Safe City Project is dependant on many factors but the performance of the Control Centre on a 24hours / 7days surveillance operation is a vital component. The operation, which is ISO 9001:2008 certified and SABS approved comprises the following features:

The crime statistics for Pietermaritzburg are submitted to the control room every morning by the SAPS which are then compared with our statistics and thereafter plotted on street maps. The purpose of plotting crime is to enable operators to be more crime prevention orientated. Every suspicious incident noted on camera is regarded as an "Incident detected". The police officer (present in the control room 24/7) will determine whether a SAPS vehicle needs to be despatched to the scene of the incident. The yearly target for SAPS dispatches is 90% of Incidents Detected. A record is maintained of vehicle despatches as compared with Incidents detected. An arrest is made when the suspect is apprehended. Frequently the progress of a crime is fully observed and followed via the camera network. We have a recording capacity of 21 days after which footage is automatically re written.



Table 1 shows the annual statistics of the Control Centre from July 2008 to June 2009. In the summary below we have highlighted the relevant Key Performance Indicators. Every year annual targets is set for the control centre using the achievements of the previous reporting periods per camera as a baseline and then adding a certain percentage for the new year. Individual targets are thereafter set for operators on which they are appraised on quarterly basis. The summary of annual performance against KPI is as follows:

## SUMMARY OF KEY PERFORMANCE INDICATORS

See attached graphs: (A, B)

DESCRIPTION	TOTAL FOR YR	TARGET FOR YR	DIFFERENC E
1) No of "Incidents Detected" (A)	2969	2370	599 (+25%)
2) SAPS dispatch required	1588	2015	-427 (-21%)
3) Response by SAPS Unit	1515	2015	-500 (-25%)
4) Arrests Effectuated (B)	188	324	-154 (-45%)
5) SAPS Response Time	5.3	3.25	-3.8 (-38%)
6) Camera down time in %	2.3	1	-1.3 (-130%)

Of the incidents detected (1), we have found that we have exceeded our target by 599 incidents. This is due to the vigilance of our operators in the detection of suspicious behaviour. Accordingly SAPS dispatches (2) and (3) have also increased. The control room also has direct communication with traffic, ambulance as well as the electricity and water departments so incidents of traffic violation, accidents or damage to Municipal property can be reported as well.

Arrests Effectuated (4) have declined by 154 mostly due to the fact that complainants are not interested in opening cases once their property has been recovered or in the instances where crimes has occurred in the vicinity of a tavern complainants are in most cases under the influence of liquor and therefore not compos mentis to proceed with a criminal proceedings. In table 1 we also highlight 413 incidents where criminal cases could have been opened, but because of the factors mentioned the SAPS had to release the suspect/s. If we add these cases we have exceeded our target for arrests by 259. This is again attributed to the vigilance of the operators.

Although our response time target (5) is 3.25 minutes, we only averaged 5.3 minutes. The average achieved however is across all crime categories A - C where A is serious crimes in progress with a required response time of 5 min, B crimes is serious crimes not in progress, with a response time of 15 min and C crimes is less serious crimes with a required response time of 25 minutes. The latter may not warrant a priority by SAPS as compared with categories A and B.

The camera downtime (6) is slightly over target largely due to delays in sourcing spares. During this financial year we received no capital budget, hence we could not refurbish Phase 1 (15 cameras) that have now been operating for 6 years 24/7. This will be addressed in the new financial year as a capital budget has now been granted.

## STATISTICS SHOWING DECREASE IN CRIME IN CBD

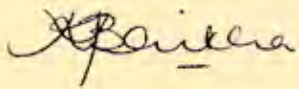
The following statistics reflect the percentage decrease in crime from 2002 (When Safe City commenced operations) to 2008. In view of the fact that crime was increasing by atleast 10% year on year prior to 2002, these are a reflection of the success of the camera network.



## The Dynamic, Caring Capital City of Choice in KZN

Calendar Year: % DECREASE (-)

Type of Crime	2003	2004	2005	2006	2007	2008
Assault Common	-3.9	-25.5	-27.4	-11.7	-29.4	-49
Indecent Assault	-0.1	-10.6	-25.4	-30.1	-60.6	-60.4
Attempted Murder	-29.3	-27.6	-32.7	-18.9	-18.9	-31
House Robbery	-9.6	-35.8	-36.3	-22.7	-33.5	-39.2
Robbery In Transit	-35.7	-34	-43	-13.4	-48	-36.8
Robbery Common	-33.3	3.7	-22.2	-29.6	-55.5	-55.5
Total Contact Crimes	-3.7	-17.1	-23.1	27.3	-37.3	-39.2
Total Property Crimes	-20.8	-34.8	-41.8	-34.6	-46.1	-50.5



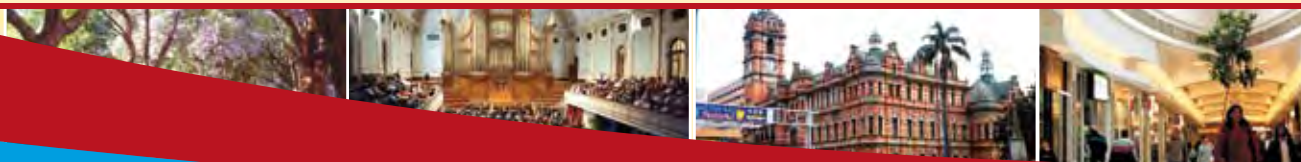
**CEO: SAFE CITY (PMB)**  
**Ms Nutan Bhikha**





**TABLE 1 - KEY PERFORMANCE INDICATORS - JULY 2008 TO JUNE 2009**

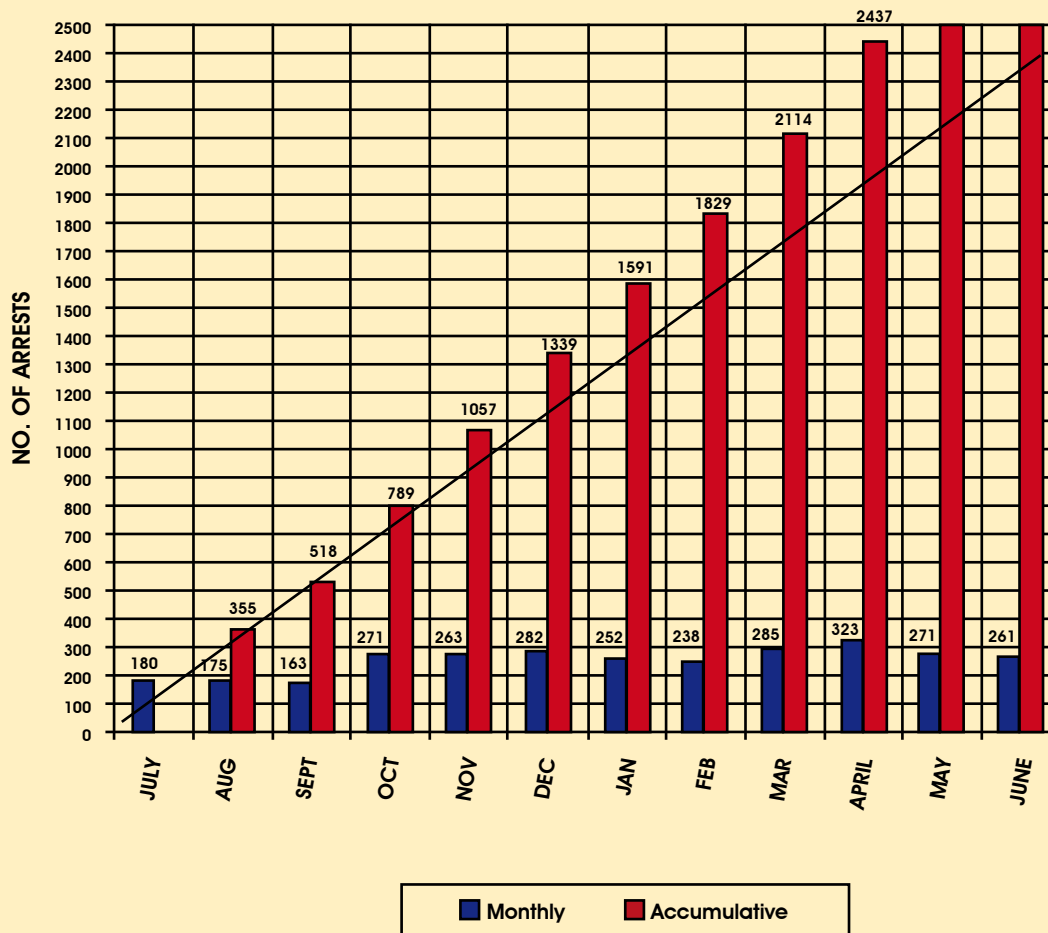
DESCRIPTION	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total	YEAR TARGET
Incidents Detected	180	175	163	271	268	282	252	238	285	323	271	261	2969	2370
Dispatch Required	118	137	106	178	151	137	126	108	113	137	142	133	1588	2015
Response by SAPS units	114	124	96	161	147	135	123	107	105	134	139	130	1515	2115
Arrests Effectuated	12	16	19	26	19	14	27	5	12	10	17	11	188	324
Saps Response Time in Mins	3.87	5	5.5	6.3	5.9	5.7	6.6	5.4	5.6	3.9	4.5	5.5	5.3	3.25
Camera down time -%	1.04	0.93	0.81	0.97	0.91	0.9	1.2	3.3	2.5	3.6	6	5.5	2.3	1
Possible Arrests: No cases opened	33	27	26	43	37	28	23	32	34	32	42	56	413	



# The Dynamic, Caring Capital City of Choice in KZN

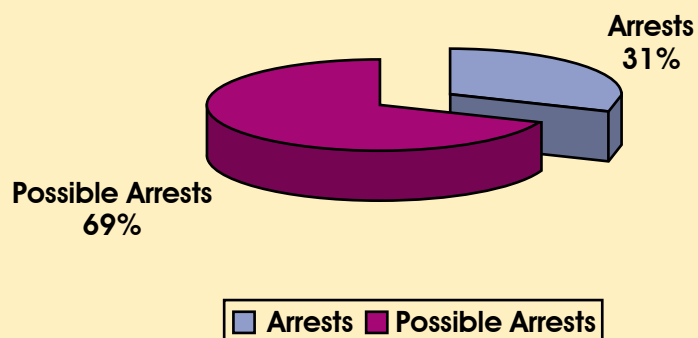
GRAPH A:

## CAMERA UNIT - INCIDENTS DETECTION TARGET 2370



GRAPH B:

## ARRESTS VS POSSIBLE ARRESTS



## 3.2 REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MSUNDUZI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the accompanying group financial statements of the Msunduzi Municipality which comprise the consolidated and separate statement of financial position as at 30 June 2009, and the consolidated and separate statement of financial performance, the consolidated and separate statement of changes in net assets and the consolidated and separate cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 87.

#### The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 et seq. of the Standard of GRAP, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Msunduzi Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.





# The Dynamic, Caring Capital City of Choice in KZN

## Basis for qualified opinion

### Property, plant and equipment

8. 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 (Property, plant and equipment) 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.

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.

### Investment property

9. Although vacant land held for undetermined future usage in an amount of R534,167 million was recognised in note 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 (Accounting policies, changes in accounting estimates and errors). 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.

### Inventory

10. 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 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 (Inventories), resulting in an unquantifiable misstatement of the carrying value thereof.

### Contingent liabilities

11. 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.



## Revenue

12. 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.

## Qualified opinion

13. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the Msunduzi Municipality as at 30 June 2009 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with Standards of GRAP and in the manner required by the MFMA.

## Emphasis of matters

I draw attention to the following matters on which I do not express a qualified opinion:

### Irregular expenditure

14. 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.

### Material losses

15. 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.

### Restatement of corresponding figures

16. As disclosed in note 55 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of errors discovered during 2009 in the financial statements of the Msunduzi Municipality at, and for the year ended, 30 June 2008.

## Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

### Unaudited supplementary schedules

17. The municipality provided supplementary information in the Appendix E and F to the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with Standards of GRAP 1 Presentation of Financial Statements. The supplementary budget information and other supplementary information set out on pages 88 to 115 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly, I do not express an opinion thereon.



# The Dynamic, Caring Capital City of Choice in KZN

## Non-compliance with applicable legislation

### Basic Conditions of Employment Act

18. 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.

### Municipal Systems Act

19. 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).

## Governance framework

20. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

### Internal control deficiencies

21. 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.

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 and correctly valued	2	2	6		
11.	Contingent liabilities not accurate and complete		2	6		
12.	Revenue not complete and accurate	5		6		

22. The municipality has regressed from the prior year, in that, various internal control deficiencies were noted during the current year. These deficiencies resulted in numerous correcting adjustments during the audit and indicated that accurate financial reporting of affected transactions, balances and disclosures were not at appropriate levels.



<b>Legend</b>	
<b>CE = Control environment</b>	
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
<b>RA = Risk assessment</b>	
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
<b>CA = Control activities</b>	
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
<b>IC = Information and communication</b>	
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
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
<b>M = Monitoring</b>	
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



## The Dynamic, Caring Capital City of Choice in KZN

### Key governance responsibilities

23. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		<input type="checkbox"/>
<b>Quality of financial statements and related management information</b>			
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"/>	
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines, as required by section 126 of the MFMA.	<input type="checkbox"/>	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	• 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		
	• 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 approved internal audit plan.	<input type="checkbox"/>	
	• 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"/>	





No.	Matter	Y	N
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	<input type="checkbox"/>	
14.	SCOPA/oversight resolutions have been substantially implemented.	<input type="checkbox"/>	
<b>Issues relating to the reporting of performance information</b>			
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 the performance in relation to the budget and delivery by the Msunduzi municipality against its mandate, predetermined objectives, outputs, indicators and targets, as required by section 68 of the MFMA.	<input type="checkbox"/>	
18.	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"/>

24. Although the municipality submitted its financial statements timeously and key officials were available during the audit, leadership, supervision and monitoring was not always evident. This is highlighted by the various control weaknesses that were noted during the audit. Moreover, the financial statements and performance information submitted for auditing were not of the desired quality, thus resulting in numerous correcting adjustments.

## Investigations

25. During the year five fraud investigations and disciplinary hearings took place, involving one employee in the electricity section, one in the pay office, one in fleet management, and two in the municipal market section. In all five cases, the employees were found guilty and dismissed and referred to the South African Police Services for possible criminal action.
26. Forensic investigations were undertaken by the National Prosecuting Authority during the 2006/07 financial year and the outcomes have yet to be finalised.
27. The outcome of an investigation commissioned by the MEC for Local Government and Traditional Affairs and tabled at a council meeting on 21 August 2007, has still not been finalised.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on performance information

28. I have reviewed the performance information as set out on pages 153 to 164.

### The accounting officer's responsibility for the performance information

29. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).





# The Dynamic, Caring Capital City of Choice in KZN

## The Auditor-General's responsibility

30. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.
31. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
32. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

## Findings on performance information

### Non-compliance with regulatory requirements

#### Content of integrated development plan

33. 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.
34. 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.
35. 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.
36. The annual performance report of the municipality did not contain information, as required by section 46(1) of the MSA.

#### Lack of adoption or implementation of a performance management system

37. 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.

#### No mid-year budget and performance assessments

38. 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.



### Usefulness and reliability of reported performance information

39. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:
- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
  - Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
  - Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following findings relate to the above criteria:

### Reported performance information not reliable

#### Lack of appropriate information systems generating performance information

40. Sufficient appropriate audit evidence with regard to the 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.

Source information not accurate and complete

41. 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.

### Performance information not received in time

42. The performance information for the group was not submitted in time, which was in contravention of General notice 616 issued in Government Gazette number 31057, dated 15 May 2008.

## APPRECIATION

43. The assistance rendered by the staff of the Msunduzi Municipality during the audit is sincerely appreciated.

*Auditor-General*

Pietermaritzburg  
22 December 2009



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# The Dynamic, Caring Capital City of Choice in KZN

## 3.3 REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report to the financial year ended 30 June 2009.

### Audit Committee Members and Attendance:

The audit committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference. During the financial year 2008/2009 the number of meetings that were held is as follows:-

Name of Member	Number of Meetings Attended
(1) M Jordan (Chairperson)	5
(2) A Myakayaka (Deputy Chairperson)	4
(3) S Narshai	6
(4) A Layman	5
(5) K Kongolo	5
(6) P Ndwandwe (resigned 02/03/2009)	2

### Audit Committee Responsibility

The Audit Committee Responsibility reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The system of internal control was not entirely effective for the year under review in line with the MFMA and the King II Report on Corporate Governance requirements, as compliance with prescribed policies and procedures were lacking in certain instances. During the year under review, several instances of non compliance were reported by internal and external auditors that resulted from a breakdown in the functioning of controls. Significant control weaknesses have been reported by the Auditor-General under emphasis of matter and in the management letter. In certain instances, the weaknesses reported previously have not been fully and satisfactorily addressed. The effect of these instances has been included in the annual financial statements and the report of the Accounting Officer.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The Audit Committee is not satisfied with the content and quality of monthly and quarterly reports prepared by and issued by the Accounting Officer of the municipality during the year under review. In addition the Audit Committee expresses concern and disappointment with having not received some of the reports requested and the non attendance of key officials at times as requested by the committee at its meetings.

The Audit Committee was unable to review any information with regards to performance as this was not submitted to the Committee.



### Evaluation of Financial Statements

#### The 2009/2010 Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer.
- reviewed the Auditor-General's report and management's responses thereto;

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statement be accepted and read together with the report of the Auditor-General. The Audit Committee records that many of the reported deficiencies under the heading of "Emphasis of Matters" are matters that have been discussed by the Audit Committee.



**Chairperson of the Audit Committee**

**Date: 18th January 2010**



### 3.4 THE MSUNDUZI MUNICIPALITY REPORT BY MUNICIPAL MANAGER FOR COUNCIL

6 January 2010

#### RESPONSE TO THE REPORT OF THE AUDITOR – GENERAL ON THE GROUP FINANCIAL STATEMENTS OF THE MSUNDUZI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

##### BACKGROUND AND PURPOSE OF REPORT

The report of the Auditor-General dated 28 November 2008 on the Audit of the Accounts of the Council for the financial year ended 30 June 2009, has been received and is on the Council agenda.

Section 21(1) and (2) of the Public Audit Act, 2004 (Act No. 25 of 2004) states:

- (1) The Auditor-General must submit an audit report in accordance with any legislation applicable to the auditee which is the subject of the audit.
- (2) If there is no such legislation as contemplated in subsection (1) the Auditor-General must submit the audit report to the relevant legislature within a reasonable time.

Also the requirements of the Municipal Finance Management Act 56 of 2003 Section 126 (1) and (2) must be complied with by the Council.

Comments and action on matters raised in the report are set out below with the numbering corresponding to the Auditor-General's report.

##### GENERAL RESPONSE

This is a most disappointing and unacceptable audit opinion. Disappointing not merely because it represents a retrogression from the unqualified audit of 2007/08, but also because it points to non-compliance, with GRAP, in two main areas: property, plant and equipment; and investment property. We relied on consultants but their response was not accepted by the Auditor General.

What is unacceptable, is the fact that the audit report revealed serious deficiencies in our stores section, as well as uncovering irregular expenditure, and serious internal control deficiencies, which is also manifested in the over expenditure on overtime, and the loss of more than R92 million on electricity and water.

Thirty eight Councillors failed to declare their business interests, and our IDP/Budget alignment and performance management system need concerted and specialised attention.

Our emphasis on annually growing our Capital Budget and achieving full expenditure thereof—surely one of, if not the primary measure of a municipality's performance, from a developmental and maintenance perspective—has been undermined by a deterioration in controls. Paradoxically, therefore, while we have delivered roads, water, sanitation and electricity on an unprecedented scale, we are adjudged to have not performed, on the basis of non-compliance with this and that. Are we not placing too much emphasis on a compliance checklist of efficiency, at the expense of assessing actual and effective delivery and development?





Nonetheless, as the Municipal Manager, I am ultimately accountable for all of these shortcomings—and I accept that accountability. But, I cannot correct all of these shortcomings on my own. Therefore, the following corrective measures have already been put in place:

- i) the establishment of a Controls Transformation Steering Committee (CTSC) the terms of reference and composition are detailed in Annexure A;
- ii) the creation of a new post – Executive Manager: Performance Management;
- iii) the appointment of a Financial Advisor Mr K Nair, to our municipality by National Treasury.

The primary objectives of the Controls Transformation Steering Committee (“CTSC”) are:

- a. Resolve all issues emanating from the audit report and management letter issued by the Auditor-General for the year 2008/09
- b. Resolve all issues arising from and revealed by the Operational risk assessment.
- c. Resolve all issues raised by the reports of the Internal Audit division and Audit Committee.

Given the objectives of the CTSC most of the shortcomings identified will be referred to that committee.

## REPORT ON THE FINANCIAL STATEMENTS

1. Introduction  
Noted
2. The accounting officer’s responsibility for the financial statements  
Noted
3. Responsibility of the Auditor - General  
Noted from point 3 to 7

## Basis for qualified opinion

8. Property, plant and equipment

## General response

The opinion is accepted, and has been referred to the CTSC. For the record, the response of our consultant is reproduced below.

- The assessment of the impracticality of the retrospective application of GRAP 17 does not lie only in the ability to source the cost price information subsequent to 1 July 2005 but rather to the cost information of the assets and (the majority of the assets) that existed prior and on 1 July 2005.
- The impracticality as assessed by the municipality lies in the facts that the acquisition dates of the assets acquired prior to 1 July 2005 was not available and that the maintenance history of the assets was inadequate to estimate the condition in the past. It was further found that significant assumptions would have to be made to formulate a basis of retrospectively applying the current information obtained through physical inspections and current cost information. Management could not reasonably defend such assumptions and concluded that the provision of GRAP 3 with regard to impracticality applies.
- As the acquisition dates were not available and the date of first depreciation was therefore not known a condition based depreciated replacement cost methodology was used.
- The use this methodology as well as the lack of predetermined unit costs for components and suitable indices form the basis of the impracticality





# The Dynamic, Caring Capital City of Choice in KZN

## **Considering the assets acquired subsequent to 1 July 2005**

- One of the key areas of impact of GRAP 17 is on the business processes to manage capital expenditure. It is necessary to record capital expenditure against the predetermined asset components of the infrastructure assets. As GAMAP provided an initial transitional period of 3 years a full asset catalogue and components of infrastructure assets was not available immediately after 1 July 2005 nor was it expected to be. In fact it was only when a full physical verification process was undertaken that the asset catalogue and components were formulated.
- The result of this was that capital expenditure incurred was still treated in a manner similar to the pre GAMAP/GRAP phase. This means that the expenditure was recorded as a capital project and not linked to detail asset components.
- It should also be noted that the values and remaining useful lives of infrastructure assets is subject to capital maintenance. Capital expenditure is therefore not only new assets that can be separately identified but also capital maintenance that impacts on the condition of current components.
- It is possible to go back 3 years and "unbundle" the capital projects. However, as this would have been a very costly exercise and the fact that it will not be possible to separate the assets/capital maintenance after 1 July 2005 from the asset that existed prior to 1 July 2005 during a physical condition inspection it was deemed fruitless to embark on this "unbundling" exercise. The asset value was therefore determined as at date of inspection as a unit, which includes the expenditure after 1 July.
- It will also be a very difficult and complex process to perform a condition based depreciated replacement cost assessment when expenditure that was incurred on a continuous basis on the assets during the last 3 years need to be stripped out systematically when they were incurred and the impact on the current condition determined.

## **Review of useful lives, depreciation methods, residual values and impairment**

- With the application of a condition based depreciated replacement cost methodology, the remaining useful lives, depreciation methods, residual values and impairment was assessed as it forms an integral part of the calculation of the depreciated replacement cost value.
- In particular the following points should be noted:
- The updated remaining useful lives are recorded in the new asset register for all the infrastructure assets
- In the formulation of the asset catalogues and components the depreciation methods and levels were determined. The financial statement disclosure reflects the new depreciation periods
- The fact that all the assets has been valued at the depreciated replacement cost value and that this value has been reflected as the deemed cost as at 30 June 2009, effectively incorporates any impairment that may exist as at 30 June 2009.

## **9. Investment property**

Although all the buildings were valued and recorded in the asset register it was not possible to recognise specific buildings as investment property. However processes have been put in place to identify all council owned buildings that can be classified as investment property. A proposal call for the appointment of a service provider to update the asset register with the complete records of investment property (land and buildings) was advertised. However the tender has not been awarded as yet. It is envisaged the contract will be awarded by February 2010. The completion period for the contract is six weeks. Buildings recognized as investment property will then be updated in the asset register.

The above response was not accepted by the Auditor General. Therefore, the CTSC will seek clarity, and agreement on exactly what needs to be done, from the Auditor General.



## 10. Inventory

The statement "complete breakdown of internal controls, accountability and accounting records in the stores section", obliges me to initiate an investigation, and, more importantly, to appoint an experienced and competent senior person as the Stores Manager. New systems and more security have already been introduced.

## 11. Contingent liabilities

This arose from a discrepancy in the figures submitted to Finance and the Auditor-General by the Legal Division. This will be dealt with by the CTSC.

## 12. Revenue

The signing of a cession agreement on the 11 June 2008, between Willowfountain Quarry (PTY) LTD as the cedent, WG Wearne as the cessionary and the The Msunduzi Municipality as the lessor, resulted in delays in the royalty payments being paid to the municipality. A meeting was held on the 8th December 2009 with WG Wearne on the issue of outstanding royalty payments. They have advised the municipality that all outstanding royalty amounts due will be paid at the end of January 2010. The amount due is R 370 132.76. The outstanding issue with regards to the rehabilitation of the quarry will addressed through a joint meeting between legal, real estate and finance sections during January 2010.

## 13. Qualified opinion

Noted

## EMPHASIS OF MATTER

## 14. Irregular expenditure

The Auditor General identified two main instances of irregular expenditure, and these were referred to Internal Audit. The report on the trip to the U.S.A. by the Mayor, Councillor M.K. Chetty and another person, is attached as Annexure B.

## 15. Material losses

Despite some success in reducing water losses, the levels are still unacceptable, and were one of the primary reasons for the installation of electronic, or smart, water and electricity meters.

## 16. Restatement of corresponding figures

Restatements of corresponding figures are in line with the accounting standard:

Generally Recognised Accounting Practice – (GRAP 3) Accounting Policies, Changes in Accounting Estimates and Errors.

GRAP 3 paragraph 41 gives guidance on how to deal with material errors that are not discovered until a subsequent period. These prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.



## OTHER MATTERS

### 17. Unaudited supplementary schedules

Noted

Non-compliance with applicable legislation

### 18. Basic Conditions of Employment Act

An investigation into excessive overtime claims has been initiated.

### 19. Municipal Systems Act

#### Councillors declaration of Interest

The names of the non-disclosing Councillors have been submitted to the Speaker, as they constitute a breach of the Code of Conduct for Councillors.

### 20. Governance framework

Noted

### 21. to 22. Internal control deficiencies

Noted.

### 23. to 24. Key governance responsibilities

Noted.

### 25. to 27. Investigations

The charging of certain employees was delayed by the late withdrawal of the Attorney representing the municipality. Another Attorney has been appointed, and hearings will take place in February, 2010.

The further Forensic Investigation—recommended in the original report—was received in December, 2009, and is being evaluated.

## REPORT ON ONTHER LEGAL AND REGULATORY REQUIREMENTS

### 28. Report on performance information

Noted.

### 29. The accounting officer's responsibility for performance information

Noted.

### 30. to 32. The Auditor-General's responsibility

Noted.



### Findings on performance information

#### Non-compliance with regulatory requirements

#### Content of integrated development plan

**33. Noted, and will be corrected.**

**34. Noted, see response to 37-43**

35. Given the high rating of our IDP in our province, this is a confusing finding.

#### **36-42. Lack of adoption or implementation of a performance management System**

Although we can dispute some of these findings, we take note of and accept them. They point to the clear need to refine and properly present our municipality's annual performance. Hence the appointment of a dedicated Performance Manager at a Senior Level.

#### **43. Appreciation**

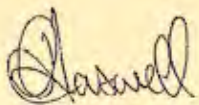
Noted and reciprocated.

#### **44. Recommendation**

It is recommended:

- a) That the report dated 22 December 2009 by the Auditor - General to the members of the Council on the financial statements of The Msunduzi Municipality for the year ended 30th June 2009 be noted.
- b) That the report dated 6 January 2009 by the Municipal Manager, in reply to the Auditor-General's report, be noted.

Submitted for consideration as per Legislation.



**R. F. HASWELL J.P.  
MUNICIPAL MANAGER**



## CHAPTER FOUR: REPORT ON ANNUAL MUNICIPAL PERFORMANCE

### 4.1 2009/2010 ANNUAL MUNICIPAL PERFORMANCE REPORT

#### MUNICIPAL PERFORMANCE REPORTING FRAMEWORK – MSUNDUZI LOCAL/ DISTRICT MUNICIPALITY

#### SECTION 1 – LEGISLATED KEY PERFORMANCE INDICATORS – REGULATION 10, MUNICIPAL PLANNING AND PERFORMANCE REGULATIONS, DATED 21 AUGUST 2001

NO	STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR	BACKLOG	PREVIOUS YEAR'S CONCLUDING BASELINE MEASUREMENT (2007/2008)	ANNUAL DEVELOPMENT TARGET FROM THE IDP (2008/2009 IDP TARGET)	CURRENT YEAR'S CONCLUDING BASELINE MEASUREMENT (2008/2009)	3 YEAR TARGET FROM THE IDP (2011/2012 TARGET)	ACTIONS TO CORRECT UNDER PERFORMANCE/ COMMENTS	SOURCE OF INFORMATION	AUDIT OF INFORMATION	
									YES	NO
1	Number of households with access to basic water	5304	390	Consumer driven	1 350	Consumer driven	This number refers to new connections during the financial year.	Deputy Municipal Manager: Infrastructure Services		✓
2	Number of households with access to basic sanitation	37891	5 687	Consumer driven	15 277	Consumer driven	This number refers to new connections during the financial year.	Deputy Municipal Manager: Infrastructure Services		✓
3	Number of households with access to basic electricity	3000	750	–	2 465	Consumer driven	This number refers to new connections during the financial year.	Deputy Municipal Manager: Infrastructure Services		AA
4	Number of households with access to basic solid waste removal	40000	1000	–	3 910	7000	This number refers to households that were provided with access to basic solid waste removal for the first time during the financial year. during the financial year.	Waste Management Statistics		✓
5	Number of households with access to Free Basic Water	5304	1372	–	38 567	–		Deputy Municipal Manager: Infrastructure Services		✓
6	Number of households with access to Free Basic Sanitation	37891	5687	–	46 387	23400		Deputy Municipal Manager: Infrastructure Services		✓
7	Number of households with access to Free Basic Electricity	8000	4336	–	7 311	10000		Deputy Municipal Manager: Infrastructure Services		✓
8	Number of households with access to Free Basic Solid Waste Removal	40000	1000	–	6 946	7000		Waste Management Statistics		✓



NO	STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR	BACKLOG	PREVIOUS YEAR'S CONCLUDING BASELINE MEASUREMENT (2007/2008)	ANNUAL DEVELOPMENT TARGET FROM THE IDP (2008/2009 IDP TARGET)	CURRENT YEAR'S CONCLUDING BASELINE MEASUREMENT (2008/2009)	3 YEAR TARGET FROM THE IDP (2011/2012 TARGET)	ACTIONS TO CORRECT UNDER PERFORMANCE/ COMMENTS	SOURCE OF INFORMATION	AUDIT OF INFORMATION	
									YES	NO
9	% municipality's capital budget spent on projects identified in the municipality's IDP (refer to KPI 30 below)	N/A	69.42 69.42 69.42 69.42	100	80	100 100 100 100		Manager: Budget		✓
10	Number of jobs created through municipal LED initiatives (refer to no 8 in Questionnaire)	-	-	-	-	-	-	Development Planning Business Unit		
11	Number of people from employment equity target groups employed in the three highest management levels in the municipality (consolidated figure)				18			Msunduzi Municipality Equity Stats.		✓
12	Number of women employed in the three highest management levels in the municipality (consolidated figure)				3			Msunduzi Municipality Equity Stats.		✓
13	Number of people with disabilities employed in the three highest management levels in the municipality (consolidated figure)				NIL			Personnell Planning Officer		✓
14	% of the municipality's budget spent on implementing the work place skills plan (refer to KPI 18+19 below)	0	0.9		R3 926 949	R3 613 598.00	2008/2009 baseline indicates total amount, not percentage.	Manager: Skills Development		✓
15	Financial viability 1 (refer to Annexure A)	Please refer to attached 'Annexure A'						Manager: Financial Services	2008/2009 currently being audited	
16	Financial viability 2 (refer to Annexure A)									
17	Financial viability 3 (refer to Annexure A)									



## SECTION 2 – ADDITIONAL PROVINCIAL KEY PERFORMANCE INDICATORS

NO	STANDARD PROVINCIAL INDICATOR/MUNICIPAL PERFORMANCE INDICATOR	BACKLOG	PREVIOUS YEAR'S CONCLUDING/ CONSOLIDATED BASELINE MEASUREMENT (2007/2008)	ANNUAL DEVELOPMENT TARGET FROM THE IDP (2008/2009 IDP TARGET)	CURRENT YEAR'S CONCLUDING/ CONSOLIDATED BASELINE MEASUREMENT (2008/2009)	3 YEAR TARGET OF THE IDP (2011/2012 TARGET)	ACTIONS TO CORRECT	SOURCE OF INFORMARION	AUDIT OF INFORMATION	
									YES	NO
18	Number of Councilors undergone leadership development training	0	52	2	2	21		Manager: Skills Development	✓	
19	Number of senior management (Section 57) undergone leadership development training	0	9	2	2	29		Manager: Skills Development	✓	
20	% improved cost recovery with respect to trading services: water	Not Available	90.66	100%	137%	100		Manager: Budget	✓	
21	% improved cost recovery with respect to trading services: sanitation			98%	100.96%	100		Manager: Budget	✓	
22	% improved cost recovery with respect to trading services: electricity			100%	98%	100		Manager: Budget	✓	
23	% improved cost recovery with respect to trading services: refuse			98%	92%	100		Manager: Budget	✓	
24	% improved cost recovery with respect to trading services: municipal rates			100%	123%	100		Manager: Budget	✓	
25	% improved cost recovery with respect to trading services: other (state others by inserting appropriate lines)			N/A	N/A	N/A	N/A	N/A	N/A	
26	% of MIG budget spent	42.83	99.86	100	99			Manager: Budget	2008/2009 currently being audited	
27	% of total municipal capital budget spent	N/A	69.42	100	80			Manager: Budget	2008/2009 currently being audited	
28	% of the municipal capital budget spent in applicable nodes as per the PSEDs	Information not available						Manager: IDP		
29	% of the municipal capital budget spent in applicable corridors as per the PSEDs	Information not available								

NO	STANDARD PROVINCIAL INDICATOR/MUNICIPAL PERFORMANCE INDICATOR	BACKLOG	PREVIOUS YEAR'S CONCLUDING/ CONSOLIDATED BASELINE MEASUREMENT (2007/2008)	ANNUAL DEVELOPMENT TARGET FROM THE IDP (2008/2009 IDP TARGET)	CURRENT YEAR'S CONCLUDING/ CONSOLIDATED BASELINE MEASUREMENT (2008/2009)	3 YEAR TARGET OF THE IDP (2011/2012 TARGET)	ACTIONS TO CORRECT	SOURCE OF INFORMARION	AUDIT OF INFORMATION	
									YES	NO
30	% of the total capital budget spent in strategic intervention areas of the Spatial Development Framework		543 988	—	485 808		Information not available	Financial Report		
31	% of the the total municipal budget allocated to the development of community social infrastructure	—	11.63	—	35%	—		Finance Support Services Manager: Community Services & Social Equity		2008/ 2009 currently being audited
32	Number of households serviced with formal housing	16000	1144	2550	2550			Manager: Housing Delivery		✓
33	Number of ward committees established	37	37	37	37	37		Manager: Office of the Speaker		✓
34	Number of ward committees functional (conduct meetings, have records and discuss issues with the municipality)	37	36	37	37	37		Manager: Office of the Speaker		✓
35	Number of ward committees trained	37	37	37	37	37	Ward Committees underwent an induction and were als trained on the Spatial Development Framework and other departmental training during 2008/2009.	Manager: Office of the Speaker		✓

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### IMPACT PERFORMANCE INDICATORS

36	% improvement in attendance at ward committee meetings									
37	% increase in customer satisfaction with municipal service delivery (infrastructure)									
38	% increase in customer satisfaction with municipal LED delivery									
39	% increase in customer satisfaction with municipal good governance									
40	% increase in internal (officials) satisfaction with municipal good governance									



# ANNEXURE A' (REFER KEY PERFORMANCE INDICATORS 15-17)

	Financial Viability as Expressed by the Following Ratios	CONCLUDING BASELINE	TARGET	ACTUAL	ACTUAL	TARGET
		2007/2008	2007/2008	2007/2008	2008/2009	2010/2011
1	A= B-C/D					
	Where:					
	"A"represents debt coverage					
	"B"represents total operating revenue received -	1,624,143,600	1,525,627,378	1,624,143,600	2,104,067,303	2,104,067,303
	"C" represents operating grants	-182,124,630	-182,124,630	-182,124,630	-137,341,492	-137,341,492
		1,442,018,970	1,343,502,748	1,442,018,970	1,966,725,811	1,966,725,811
	"D" represents debt service payments (i.e. interest + redemption) due	95,485,900	87,114,760	95,485,900	102,226,900	102,226,900
		15.10	15.42	15.10	19.24	19.24
	2 A=B/C					
	Where:					
	"A"represents outstanding service debtors to revenue					
	"B" represents total outstanding service debtors	435,431,707	435,431,707	435,431,707	479,419,777	479,419,777
	"C" represents annual revenue actually received for services;	1,263,532,265	1,263,532,265	1,263,532,265	1,454,266,088	1,454,266,088
		0.34	0.34	0.34	0.33	0.33



	Financial Viability as Expressed by the Following Ratios	CONCLUDING BASELINE	TARGET	ACTUAL	ACTUAL	TARGET
		2007/2008	2007/2008	2007/2008	2008/2009	2010/2011
3	A= B+C/D					
	Where:					
	"A" represents cost coverage					
	"B"represents all available cash at a particular time	3,424,665	3,424,665	3,424,665	19,246,950	19,246,950
	"C" represents investments	260,420,761	260,420,761	260,420,761	93,574,692	93,574,692
		263,845,426	263,845,426	263,845,426	112,821,642	112,821,642
	"D"represents monthly fixed operating expenditure,	125,566,384	125,566,384	125,566,384	173,841,167	173,841,167
		2.10	2.10	2.10	0.65	0.65

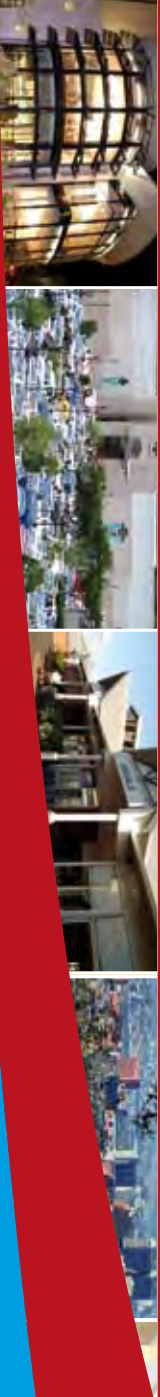
**2008/2009 ANNUAL MUNICIPAL PERFORMANCE REPORT  
COMPLIANCE CHECK QUESTIONNAIRE  
MSUNDUZI LOCAL/ DISTRICT MUNICIPALITY**



**Msunduzi Municipality Annual Report 2008/09**

no	ITEM	STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR	In Place /yes	In process /review	No progress /no	ACTIONS TO CORRECT
1	<b>Core administrative policies, plans, procedures, systems and frameworks developed in municipalities</b>	Legally compliant Employment Equity Plan		✓		
		Workplace Skills Development Plan (staff other than Sec 57)	✓			
		Recruitment policy	✓			
		Legally compliant Supply Chain Management policy	✓			
		Budget policy			✓	Use MFMA and Municipality's Financial Regulations
		Indigent support policy	✓			
		Credit control and debt collection policy	✓			
		Bank and investment policy		✓		Currently use cash management policy
		Asset and Liability management policy	✓			
		Tariff policy	✓			
		Risk management policy	✓			
		Revised bylaws	✓	✓		
		Standing operating procedures and administrative delegations			✓	
		Anti-corruption Strategy and structures	✓			Strategy has been approved; structures outstanding.
		Internal and Financial and Performance Auditing structures and sustems	✓			
		Public Consultation and Participation Framework		✓		





NO	ITEM	STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR	In Place /yes	In process /review	No progress /no	ACTIONS TO CORRECT
2	Competency Frameworks	Competency Framework developed for the Administration			✓	
		Competency Framework developed for the Council			✓	
3	Implementing organograms	Approved Organogram	✓			
		Municipal organogram aligned to allocated and assigned powers and functions	✓			
		number total posts vacant at the end of the financial year (information to provided: number vacant posts/ number of post on organogram, eg 20/100)	95			
		municipal manager post filled at the end of the financial year (EXCLUDING acting and not suspended)	✓			
		municipal manager post occupied occupied by PDI			✓	
		municipal manager post occupied by women			✓	

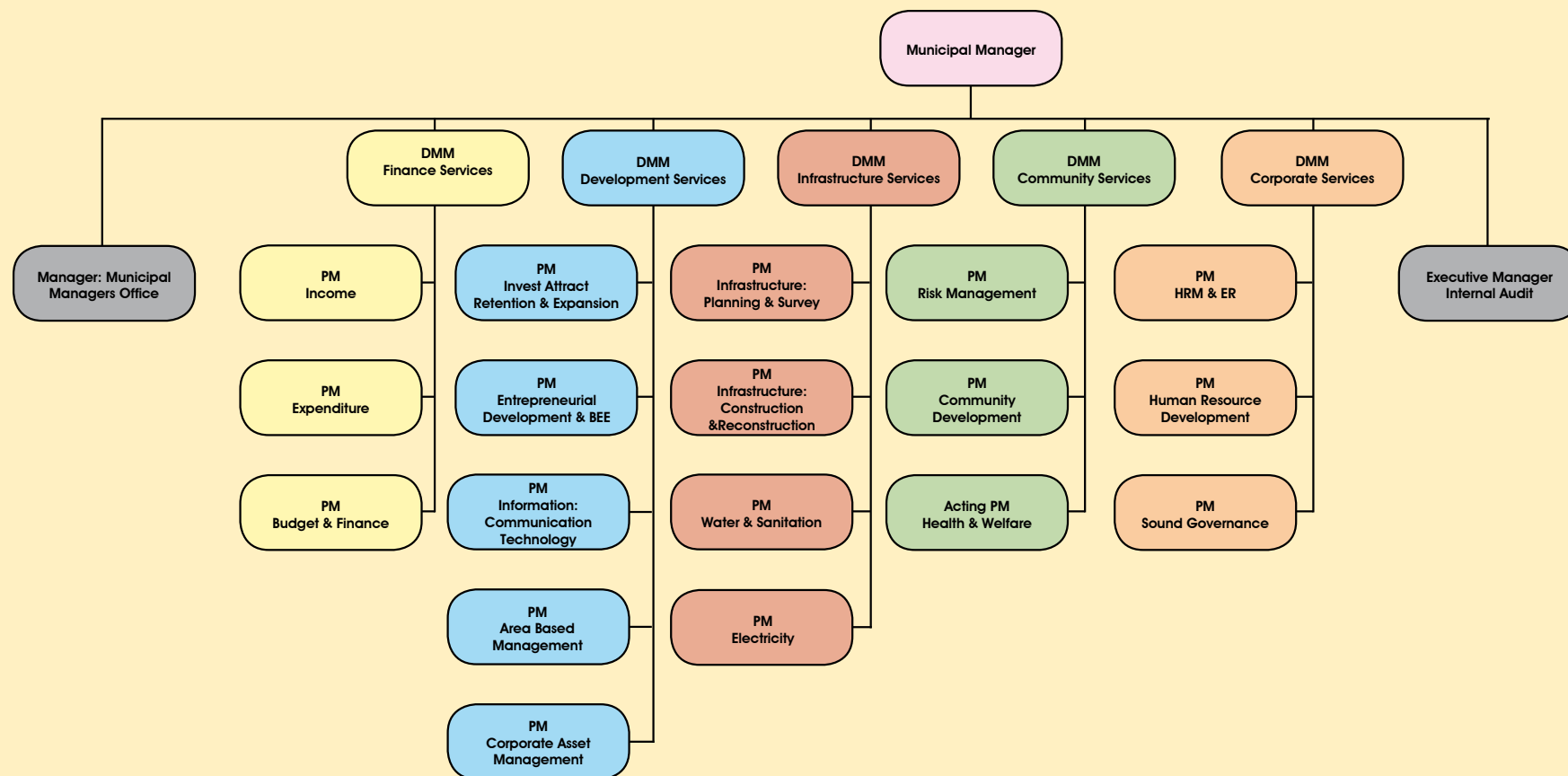
NO	ITEM	STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR	In Place /yes	In process /review	No progress /no	ACTIONS TO CORRECT		
3	Implementing organograms	Senior management (Section 57 only) posts filled at the end of the financial year (EXCLUDING acting and not suspended)	POST	filled	vacant	advertised	if filled, occupied for how many months in the year	if filled, occupied with the same person/ not
			Municipal Manager	✓			12	
			Monitoring and Evaluation (Performance Management)	-				
			Financial Management	✓			12	
			Technical Services	✓			12	
			Local Economic Development		✓			
			Community Services	✓			12	
			Corporate Services	✓			12	
			Development Planning		✓		12	
		number senior management posts (Section 57 only) occupied by PDI	numbers must exclude the Municipal Manager	Number	5			
		number senior management (Section 57 only) posts occupied by women	position (information to provided: number women Sec 57 occupants/ number of Sec 57 post on organogram, eg 1/5)	Number	0			
		number senior management posts (Section 57 only) occupied by disabled		Number	0			

NO	ITEM	STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR	In Place /yes	In process /review	No progress /no	ACTIONS TO CORRECT
4	Financial Management	Revenue Raising Strategy developed		✓		
		Ratio of Operating & Maintenance, Salaries and Capital budget (in R)	Budget	Actual		
		Operating	1,796,648,675	1,832,771,294		
		Maintenance	78,963,973	77,379,164		
		Salaries	545,930,886	594,306,242		
		Capital	334,467,179	268,945,280		
		Debt Recovery Plan developed	✓			
		Approved budget by end of June	✓			
		Service Delivery Budget Implementation Plan (SDBIP) approved by July	✓			
		Submission of annual financial statements to the Auditor General by August	✓			
		Results of Auditor General 08/09 audit (mark the appropriate block)	Unqualified			In process of being audited
			Qualified			
			No Opinion			
			Disclaimer			
		Functional billing system in place	✓			
5	Municipal Property Rates Act	Property Rates Policy	✓			
		Valuation Role	✓			
6	Basic Services	Backlog study completed and verified by Statistics South Africa			✓	
		Municipal Infrastructure Implementation Strategy for 5 years	✓			
		Indigent Register	✓			
		Housing Strategy to eradicate informal settlements		✓		

NO	ITEM	STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR	In Place /yes	In process /review	No progress /no	ACTIONS TO CORRECT
7	Good Governance	Consultation and Public Participation Framework in place		✓		
		Customer Complaints system	✓			
		Traditional Leadership consultation and participation programme		✓		
		Conducted customer satisfaction surveys			✓	
		HIV/AIDS strategy developed	✓			
		Adopted Community Development Worker Frameworks				N/A
		Adopted Section 53 Framework in terms of the MSystemsA adopted by Council				
		District Coordinating Forum (DCF) established and operational				N/A
		District Technical Forum established and operational				N/A
		08/09 Annual Report adopted				Deadline for 2008/2009 Annual Report is 31st January 2010
		08/09 Annual Performance Report		✓		
		Council adopted 08/09 Oversight Report			✓	
		Functional Audit Committee	✓			Deadline for 2008/2009 Oversight Report is March 2010
		Functional Performance Audit Committee			✓	PMS specialist on Audit Committee
		IDP adopted by end June	✓			
8	Local Economic Development	LED programme developed		✓		
		Poverty alleviation programme adopted		✓		

# CHAPTER FIVE: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

## 5.1 ORGANIZATIONAL STRUCTURE





## 5.2 FUNCTION: FINANCE

### Sub Function: Supply Chain Management (Procurement)

#### Overview:

Includes all activities relating to overall procurement functions of the municipality including costs associated with orders, tenders, contract management, warehouse and Logistics management etc

#### Description of the Activity:

The function of procurement within the municipality is administered as follows and includes:

1. Acquisition of Goods and Services.
2. Demand Side Management
3. Disposal of obsolete and redundant Goods
4. Risk Management relating to tenders and contracts.
5. Contract Management
6. Warehouse and Logistics

#### These services extend to include:

- the Appointment of Service Providers;
- Management of contracts;
- Review of Cost and spend analysis.

The municipality has a mandate to develop a System for the Acquisition of Goods and services in compliance with Section 217 of the Constitution read in Conjunction with the MFMA and SCM Regulations:

#### The key issues for 2009/10 are:

- To review the SCM policy and procedures to align these with National Government mandates;
- To finalize the re-alignment of the SCM unit structure and Job Descriptions;
- The Implementation of the Intenda System of Database Management

#### Analysis of the Function:

##### 1. Details of tender / procurement activities:

- Total number of times that tender committee met during year	33
- Total number of tenders considered	102
- Total number of tenders approved	96
- Average time taken from tender advertisement to award of tender	4 mths

##### 2. Details of Tender Committee:

Details of Tender Committee:	Alternate
Chairperson: Chief Financial Officer- R Bridgmohan	M. Sahibdeen
Deputy Municipal Manager: Infrastructure Services- P Mashoko	M. Viljoen
Deputy Municipal Manager: Corporate Services- K Perumal	K Thaver
Deputy Municipal Manager: Community Services- Z Hulane	M Zuma
Deputy Municipal Manager: Development Services- S Mpanza	S Zimu
Head: Supply Chain Management- F Grantham	T Gounder
Legal Advisor- W Cooper	



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### PERFORMANCE HIGHLIGHTS:

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance
Institutional Development and Transformation	<b>IDP Goal/Objective:</b> Centralise all Supply Chain management(SCM) processes to ensure effective control and improvement of financial spending of the Municipality
	<b>Actual Performance Achieved 2007/2009:</b> limited success, with only the Stores division placed under SCMU
	<b>Variance between Planned &amp; Actual Performance (if any):</b> 70%
	<b>Reason for Variance:</b> Some departments still undertake own sourcing and appointments
	<b>Improvements for Next Year:</b> Finalisation of complete SCMU structure.
Institutional Development and Transformation	<b>IDP Goal/Objective:</b> implementation of Intenda Database System
	<b>Actual Performance Achieved 2008/2009:</b> 50%
	<b>Variance between Planned &amp; Actual Performance (if any):</b> 50%
	<b>Reason for Variance:</b> Unable to link with Council IT systems
	<b>Improvements for Next Year:</b> Create links



## 5.3 CORPORATE SERVICES

Sub Functions: Sound Governance, Human Resources, Employee Relations, Legal, Human Resource Development and Information and Communication Technology.

### OVERVIEW:

Includes all activities relating to the human resource management function of the municipality including recruitment, selection and induction - also performance management systems, code of conduct detail and decision making systems. Also includes the Municipality's mandate to comply with legislation, policies, laid down procedures and best administrative practices. The ICT Sub-unit provides efficient and cost effective management and control of ICT services within the Msunduzi Municipality. Corporate Services includes the following sub-units:



**DMM: Corporate Services**  
**Kevin Perumal**

- **HUMAN RESOURCES DEVELOPMENT** deals with the matter of the development of the organization, employees, councillors and communities through Skills Development, Organizational and Performance Management. These services extend to include employees and community members, within the jurisdiction of the Msunduzi Municipality. This Unit has two sub-sections, Skills Development and Organizational Development;
- **SOUND GOVERNANCE** has a role of making sure that Council complies with relevant legislation, ordinances and bylaws. It must also ensure that Batho Pele principles are implemented throughout the organization. It is made up of four sections namely: Printing, Secretariat, Licensing and Information Centre.
- **HUMAN RESOURCES** are responsible for recruitment, selection, placement, and remuneration of staff. **EMPLOYEE RELATIONS** is responsible for ensuring that all Labour related pieces of legislation are being adhered to and that the relationship between the employer and its employees is properly regulated.
- **The LEGAL sub-unit:** The law, as applied by municipalities, is becoming increasingly important not only for senior managers and municipal governments, but for every single official and indeed, inhabitant. To give practical effect to the preamble in the Constitution which intends a better life for all, governments at all levels are making policies and promulgating laws at an ever increasing space, placing an enormous responsibility on officials to be aware of, interpret and correctly apply their principles. It is within this context that the work of the legal division must be seen.
- **INFORMATION AND COMMUNICATION TECHNOLOGY:** The ICT Sub-unit provides efficient and cost effective management and control of ICT services within the Msunduzi Municipality. The information communication technology responsibilities of the municipality are administered include: Technical services; Information Management; and, ICT Security

### The strategic objectives of this function are:

1. Ensuring the effectiveness and efficiency of the Council's decision making system and improving communication and understanding
2. Compliance with legislation;
3. To provide efficient and effective legal services to the wider Msunduzi Municipality;
4. To promote and maintain a healthy employee relations climate and industrial peace in order to achieve organizational and employee effectiveness;
5. To contribute Towards Employability & Self Employability of Youth and Community;
6. To ensure a competent workforce to achieve organizational objectives;
7. To improve organizational efficacy and measure results ;



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8. Effective Financial Management;
9. Deploy adequate and equitable ICT infrastructure to broaden access to information and services;
10. Ensure optimal utilization of technology and telecoms by relevant staff through awareness and training;
11. Promote enterprise-wide approach to ICT planning;
12. Formulation of policies and ICT steering committee ;
13. Provide data integrity, control and security;
14. Centralized Data Provision e.g. Payday, ProMIS;
15. ICT Service Desk to provide Desktop, back-end and Business Process Provision support;
16. GIS Service;

### ANALYSIS OF THE FUNCTION:

1) Number and cost to employer of all municipal staff employed:	PLEASE REFER TABLE 1: NUMBER AND COST TO EMPLOYER OF ALL MUNICIPAL STAFF EMPLOYED		
2. Skill or levels of education attained by staff:	<b>Professional (Managerial/ Specialist)</b>	<b>Office (Clerical/ Administrative)</b>	<b>Non-Professional (blue collar, outside workforce)</b>
Below NQF 1		12	619
NQF 1		38	73
NQF 2		24	84
NQF 3		37	18
NQF 4	4	57	27
NQF 5	3	21	2
NQF 6	27	18	
NQF 7	8	16	
NQF 8			
Unknown		329	929
Total	42	552	1752
3. Number of people from employment equity target groups employed in the three highest management levels in the municipality (consolidated figure).	PLEASE REFER TABLE 1: NUMBER AND COST TO EMPLOYER OF ALL MUNICIPAL STAFF EMPLOYED		
4. Number of women employed in the three highest management levels in the municipality (consolidate figure.)			
5. Number of people with disabilities employed in the three highest management levels in the municipality (consolidated figure).			
6. % of the municipality's budget spent on implementing the work place skills plan.	0,30%		



7. Trends on total personnel expenditure over the last 3 to 5 years, compared to budget	<b>R (000s)</b>		
• Budget year 2005/2006	439 647 199	434 383 262	
• Budget year 2006/2007	493 074 320	500 859 238	
• Budget year 2007/2008	521 274 564	580 172 392	
8. Number of senior management (Section 57) undergone leadership development training.	17		
9. The number and name of pension and medical aid funds	<b>NUMBER</b>		
• Pension	5		
1. Natal Joint Pension Fund			
2. Government Employees Pension Fund			
3. AIPF			
4. SALA Pension Fund			
5. Municipal Councillors			
• Medical aid	5		
1. LA Health			
2. Discovery			
3. Bonitas			
4. Key Health			
5. SAMWUMED			
10. Number of Councillors undergone leadership development training.	30		
11. Number and total of computers servicing municipality:		<b>NUMBER</b>	<b>R (000s)</b>
	- Aged less than 5 years	400	4000
	- Aged 5 years or greater	150	1500
12. Total number customers supported (End user support, Help desk, Database administration, Internet):	1000		
13. Total number of information communication technology service related complaints received:	80/day		





# The Dynamic, Caring Capital City of Choice in KZN

## PERFORMANCE HIGHLIGHTS-HUMAN RESOURCES DEVELOPMENT

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance			
Economic and Social Development	<b>IDP Goal/Objective:</b> Contribute Towards Employability & Self Employability of Youth and Community			
	<b>Actual Performance Achieved 2008/2009:</b>	<b>ACTUAL</b>	<b>TARGET</b>	<b>VARIANCE</b>
	Social Responsibility Project	5	3	2
	Zonal Career Exhibition	3	1	2
	Develop Policy to incorporate work exposure	1	0	1
	Provision of skills programme	3	2	
	Finalization of Training Framework with FET- Belgium programme.	1	0	1
	Awarding of external bursaries	10	7	1
	Awarding of learner ships & apprenticeships	38	53	15
	Placement of interns	66	46	20
	Implement Technical Scarce Skills Programmes	2	0	0
	Coordinating Training Emerging contractors	75	0	75
	Liaise with procurement to include skills transfer clause in all contracts with experienced providers	1	0	1
	<b>Reason for Variance:</b> Lack of commitment from relevant stakeholder, budgetary constraints			
	<b>Improvements for Next Year:</b> Getting buy in from stakeholders			
Good Governance and Public Participation	<b>IDP Goal/Objective:</b> To Ensure good governance and good participation to improve effectiveness and efficiency of the Councils			
	<b>Actual Performance Achieved 2008/2009:</b>	<b>ACTUAL</b>	<b>TARGET</b>	<b>VARIANCE</b>
	Ward Committee Training	370 Ward Committee Members	370	0
	Skills Audit to identify Gaps.	80 Ward Committee members	80	0
	Training of Wards 1- 18	18	12	6
	Operationalise & reaffirm existing MOU's Establish Partnership	1	1	0
	<b>Reason for Variance:</b> Lack of commitment from stakeholders			
	<b>Improvements for Next Year:</b> Sensitize stakeholders on compliance with legislation			



Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance			
Institutional Development and Transformation	<b>IDP Goal/Objective:</b> To ensure a competent workforce to achieve organizational objectives.			
	<b>Actual Performance Achieved 2008/2009:</b>	<b>ACTUAL</b>	<b>TARGET</b>	<b>VARIANCE</b>
	Workplace Skills Plan is Developed and Implemented	100%	100%	0
	Conduct workshops on training identification for Training Committees	100%	100%	0
	Conduct skills audit for IPS and Parks	100%	80%	20%
	Develop PDPs for water & sanitation and IPS employees	500	0	500
	Develop and implement ISF and HRD WSP 2007/2008	60%	0	60%
	Conduct RPL assessments	150	0	150
	Establish Marketing working committee Est and effect marketing strategies	1	0	1
	Annual evaluation of policies	100%	50%	50%
	Develop Process Flow Manual	100%	80%	20%
	Develop service standards	1	0	1
	Resource Centre established	1	0	1
	Promotion of e-learning	1	0	1
	Conduct assessments of finance, senior managers & procurement and develop implementation plan (MFMA)	100%	50%	50%
	Conduct Skills Audit on the first 4 levels of the organizational structure	100%	100%	0
	Identification and Training of Mentors and Coaches	45	35	10
	Roll-out implementation of ABET Programme to all at NQF Levels	140	0	140
	Continuation of IDP learner ships	2	0	2
	Award Apprenticeship	10	8	2
	Coordinate Section 28 training	12	8	4
	Award of Bursaries and Scholarships	10	30	20
	Councillors on ELDP.	12	4	8
Institutional Development and Transformation	<b>Reason for Variance:</b> Budgetary constraints			
	<b>Improvements for Next Year:</b> Motivate for more funding and ring-fencing			
Institutional Development and Transformation	<b>IDP Goal/Objective:</b> To improve organizational efficacy and measure results			
	<b>Actual Performance Achieved 2008/2009:</b>	<b>ACTUAL</b>	<b>TARGET</b>	<b>VARIANCE</b>
	Conduct quality audits	1	0	1
	Evaluate effectiveness of restructuring	1	0	1
	Establishment of PMS steering committee	1	1	0
	Develop PMS policy	1	1	0
	Develop SBU scorecards	7	0	7
	<b>Reason for Variance:</b> Organizational readiness			
	<b>Improvements for Next Year:</b> Sensitize and get buy in from all internal stakeholders			



# The Dynamic, Caring Capital City of Choice in KZN

## PERFORMANCE HIGHLIGHTS-HUMAN RESOURCES & EMPLOYEE RELATIONS

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	
Institutional Development and Transformation	PROGRAMME	ACHIEVEMENTS
	Systems and Remuneration	Purchase of SAP Human Resource Management software system
		Training of all users has been completed
		25% of re-engineering of systems, processes and procedures has been achieved
	Job Evaluation	Job descriptions completed and submitted to the PJEC
		A software system to draw organizational structures, called ORG-PLUS, was procured
		The Staff Establishment has been completed
		Integration of PJEC into Job Evaluation unit was completed
	Employment Equity	The Equity Policy and the Equity Plan, together with other related policies, were drafted and awaits Council's approval
		A 5-year Employment Equity Plan was developed and submitted for approval
	Employee Relations	Implementation of Industrial Action Management Plan was completed and awaits approval
	Personnel	The timeous filling of vacant posts has been achieved
		Orientation of new staff was achieved and is ongoing
		The Policy on retention of new staff was drafted and approved
	Occupational Health & Safety	An 'Open Day' was held by conducting a KAP survey amongst employees
		The establishment of effective Health & Safety Committee Structures was achieved



## PERFORMANCE HIGHLIGHTS-SOUND GOVERNANCE:

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	
	PROGRAMME	ACHIEVEMENTS
Institutional Development and Transformation	Records Management Policy	Prepared and submitted
	Policy Development	Policy for the Election of Ward Committees was adopted by Council
	Printing	The purchase of a colour printer which has increased the capacity of the Printing Division to meet increased demands
	Council's Decision-Making System	Ongoing improvements aimed at increasing the efficiency and effectiveness of the Council's decision-making structures and processes including the preparation and submission of a discussion document to the Municipal Manager on the realignment of the committee system

## PERFORMANCE HIGHLIGHTS- INFORMATION AND COMMUNICATION TECHNOLOGY:

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Actual	Target
Institutional Development and Transformation	IDP Goal/Objective: Deploy adequate ICT Infrastructure at 5 sites	5 sites	5 sites
	Actual Performance Achieved 2008/2009: N/A		
	Variance between Planned & Actual Performance (if any): N/A		
	Reason for Variance: N/A		
Institutional Development and Transformation	IDP Goal/Objective: Optimize use of Technology	Ongoing	Ongoing
	Actual Performance Achieved 2008/2009: N/A		
	Variance between Planned & Actual Performance (if any): N/A		
	Reason for Variance: N/A		
Institutional Development and Transformation	IDP Goal/Objective: Improve Customer Service- Call Centre	Basic Call Centre	Basic Call Centre
	Actual Performance Achieved 2008/2009: N/A		
	Variance between Planned & Actual Performance (if any): N/A		
	Reason for Variance: N/A		



Table 1: Number and cost to employer of all municipal staff employed:												
Occupational Levels		Male				Female				FOREIGN NATIONALS		Total
		A	C	I	W	A	C	I	W	M	F	
Top Management	Number of workers	1	0	2	1	0	0	0	0	1	0	5
	Remuneration	672158	0	672158	747722	0	0	0	0	672158	0	2764196
Senior Management	Number of workers	8	2	5	6	5	1	0	1	0	0	28
	Remuneration	638927	638927	638927	638927	638927	638927	0	638927	0	0	4472534
Professionals qualified and experienced specialists and mid-management	Number of workers	36	8	59	30	18	0	17	10	0	0	178
	Remuneration	381075	381075	381075	381075	381075	0	381075	381075	0	0	2667525
Skilled technical and academically qualified	Number of workers	300	47	135	50	120	8	37	21	0	0	718
	Remuneration	266253	266253	266253	266253	266253	266253	266253	266253	0	0	2130024
Semi-skilled and discretionary decision making	Number of workers	404	36	106	24	196	23	92	23	0	0	904
	Remuneration	134553	134553	134553	134553	134553	134553	134553	134553	0	0	1076424
Unskilled and defined decision making	Number of workers	926	5	30	0	280	0	11	0	0	0	1252
	Remuneration	95897	95897	95897	0	95897	0	95897	0	0	0	479485
Total Permanent	Number of workers	1675	98	337	111	619	32	157	55	1	0	3085
	Remuneration	2188863	1516705	2188863	2168530	1516750	1039733	877778	1420808	672158	0	13590188
Temporary Employees	Number of workers	66	5	34	1	43	2	5	2	0	0	158
	Remuneration	379818	67426	89805	13332	315382	137840	65694	12929	0	0	1082226
Total Permanent	Number of workers	1741	103	371	112	662	34	162	57	1	0	3243
	Remuneration	2568681	1584131	2278668	2181862	1832132	1177573	943472	1433737	672158	0	14672414