

CITY OF CHOICE



**PIETERMARITZBURG
MSUNDUZI**

COUNCIL OVERSIGHT REPORT
2009/2010 FINANCIAL YEAR

Msunduzi Municipality

Council Oversight Committee

Councillors:

Chairperson of the Oversight Committee: **Councillor M Inderjit**

Council Members: **Councillor A Shelembe**
Councillor NV Duze
Councillor F Mbatha
Councillor BS Ngubane
Councillor AS Sibisi
Councillor M Thebolla
Councillor K Olivier
Councillor N Atwaru
Councillor SJ Seymour
Councillor RB Singh
Councillor E Mzila

Community Representatives: **R Khoza**
B Mshengu
E Sithole

Technical Support Provided by: **M. Jackson-Plaatjies**
(Manager: Office of the
Municipal Manager)
A Geary (Committee Officer)

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OVERSIGHT REPORT CONSIDERING THE 2009/2010 ANNUAL REPORT OF THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

Dated: 24th March 2011

1. PURPOSE:

To submit to Council, in terms of Section 129(1) of the Municipal Finance Management Act (MFMA), the Oversight Report on the Annual Report 2009/ 2010, encompassing the Msunduzi Municipality and its municipal entity, Safe City.

2. ANNUAL REPORT

2.1 In compliance with the legislative requirements set out in the Municipal Systems Act, 32 of 2000, and the Municipal Finance Management Act (MFMA) 56 of 2003, an Annual Report has to be prepared and approved by Council.

2.2 In terms of section 133 of the MFMA, the Mayor must submit the Annual Report within 7 months after the end of the financial year, which means that the report should be submitted by the end of January on an annual basis.

2.3 The Annual Report was tabled by the Mayor at the Council meeting held on Wednesday, 26th January 2011 and was circulated to all Councillors (**Bound separately**).

2.4 The Annual Report was prepared in terms of the provisions of the MFMA. The Act aims to modernize budget and financial management whilst simultaneously promoting transparency in the process and accountability to its stakeholders.

2.5 The purpose of the annual report is to:

- provide a record of the activities of the municipality and its entity;
- to provide a report on performance in service delivery and budget implementation; and,
- to promote accountability to the local community.

2.6 Once the Annual Report is tabled, the Accounting Officer must make the report public, invite public input, and submit the report to the Auditor-General, Provincial Treasury, National Treasury and the Department of Cooperative Governance and Traditional Affairs (COGTA) (Attached proof of submission, Annexure „A-D“).

2.7 The Annual Report was made available for public viewing on the municipality's website immediately after being tabled in council and copies were made available at all Area Based Management Offices.

3. OVERSIGHT REPORT

3.1 The Oversight Committee, established by Council, is responsible for the drafting of the Oversight report on the Annual Report.

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

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

- has approved the annual report with or without reservations;
- has rejected the annual report; or
- has referred the annual report back for revision of those components that can be revised.

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

3.5 The attached schedule (Annexure „E“) indicates the process that was adopted by the Oversight Committee in developing the Oversight Report on the 2009/ 2010 Annual Report of the Municipality.

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

- (a) Oversight Committee Meeting – Tuesday, 22nd February 2011 (*Annexure „G“*)
- (b) Oversight Committee Meeting – Thursday, 24th February 2011 (*Annexure „H“*)
- (c) Oversight Committee Meeting – Wednesday, 02nd March 2011 (*Annexure „I“*)
- (d) Oversight Committee Meeting – Thursday, 10th March 2011 (*Annexure „J“*)
- (e) Oversight Committee Meeting – Wednesday, 16th March 2011 (*Annexure „K“*)
- (f) Oversight Committee Meeting – Friday, 25th March 2011 (*Annexure „L“*)

3.7 In terms of public consultation, an advertisement was published to invite, receive and consider written submissions, on the Annual Report, with public submissions to be submitted to the Office of the Municipal Manager (Annexure „F“). In addition, the advert contained the dates, venue and times of the Oversight Committee meetings.

3.8 The Auditor General was invited to attend all meetings of the Oversight Committee and attended the meeting held on the 24th February 2011.

4. KEY COMMENTS AND RESPONSES

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

4.1 2008/2009 Annual Financial Statements.

- 4.1.1 Refer Annual Financial Statements, pages 13-124 of Annual Report 2009/ 2010.
- 4.1.2 Refer minutes, 24th February, 2011, pages 23-25 (Annexure „I“).
- 4.1.3 The Chief Financial Officer (CFO) (Acting) informed Committee that the process (timeframe) of submitting the Annual Financial Statements and Annual Report was in compliance with the required legislative requirements.
- 4.1.4 In providing an explanation for the basis for qualification of the Report of the Auditor General, the CFO (Acting) outlined (extract from minutes pages 23-24):

Investment Property

The Chief Financial Officer reported that the Msunduzi Municipality had not finalised the process of recognising all investments properties. He reported that there was a property that was incorrectly valued last year at R 220 million and it was correctly adjusted to R 5, 580 million.

NOTED

Irregular Expenditure

The Chief Financial Officer reported that during the audit process payments of R19, 326 million were identified as being made in contravention of the Supply Chain Management Policy and there were no adequate systems in place to identify and record all irregular expenditure.

NOTED

Overtime Policy

The Chief Financial Officer [Acting] reported that the overtime policy was reviewed and approved by Full Council on 30 June 2010.

NOTED

- 4.1.5 In response to a request from the Committee on the progress that had been made with regards to the recovery of debt owed to the Municipality by Government Departments and Credit Control, the attached report (Annexure „M“) was submitted.

4.2 Office of the Auditor General:

- 4.2.1 Refer Report of the Auditor General (AG), page 125-132 of Annual Report 2009/2010.
- 4.2.2 Refer minutes, 24th February, 2011 pages 25-26 (Annexure „J“)
- 4.2.3 The Operational Leader from the Office of the AG outlined that the audit process, through the office of the AG, enables accountability and good governance.
- 4.2.4 He outlined that the basis for the qualified opinion was based on the following:
 - (i) Property, Plant and Equipment;

- (ii) Investment Property;
 - (iii) Overtime payments;
 - (iv) Irregular Expenditure.
- 4.2.5 In terms of other legal and regulatory matters, the Operational Leader highlighted the following:
- That there was non-compliance with regulatory and reporting requirements;
 - That the Performance Audit Committee was unable to function in accordance with the Municipal Planning and Performance Management Regulations;
 - That the Internal Auditors did not audit the Performance measurements on a continuous basis and submit quarterly reports to the Municipal Manager and the Audit Committee;
 - That there was a lack of adoption and implementation of a Performance Management System;
 - That the information was not consistent with planned objectives, indicators and reported targets were not specific and measurable;
 - That there was inadequate content in the Integrated Development plan.

4.3 Report of the Audit Committee:

- 4.3.1 Refer Report of the Auditor Committee, page 133-134 of Annual Report 2009/2010.
- 4.3.2 Refer minutes, 24th February, 2011 pages 22-23 (Annexure „J“)
- 4.3.3 The Chairperson of the Audit Committee indicated that 3 members of the Committee had resigned, and therefore, the Committee is only left with 3 members.
- 4.3.4 The Chairperson indicated that the administration of the Municipality has not provided him with feedback in terms of the filling of the vacancies on the Audit Committee.

4.4 Safe City Annual Report:

- 4.4.1 Refer Safe City Pietermaritzburg - Annual Financial Statements 30 June 2010, pages 104-124 of Annual Report 2009/2010.
- 4.4.2 Refer minutes, 24th February, 2011 pages 27-28 (Annexure „J“)
The Director of Safe City explained that their aim was to provide camera surveillance in certain areas within the municipal jurisdiction with a view to encourage a crime-free environment that will.
- 4.4.3 He further outlined that the initiative was made possible through the partnership of the following partners:
 - The Msunduzi Municipality;
 - Business Fighting Crime;
 - South African Police;
 - National Prosecuting Authority (NPA).
- 4.4.4 In terms of the basis for qualification of the financial statements of Safe City, the Chairperson provided the attached response (Annexure „O“)

4.5 Municipal Manager's Response to the Report of the Auditor General:

- 4.5.1 Refer Summarized Response to the Auditor General, page 135-144 of Annual Report 2009/2010.
- 4.5.2 Refer minutes, 24th February, 2011 page 26 (Annexure „J“)

4.5.3 The Municipal Manager (Acting) summarized the responses contained in the Annual Report.

4.6 Presentations on Performance by Strategic Business Units (SBUs):

4.6.1 INFRASTRUCTURE SERVICES:

- Refer minutes, 10th March, 2011, pages 30-33 (annexure „J“).
- Refer Annual Report, pages 182-190; pages 245-266
- The following issues were raised by the Committee:
 - (i) Carry over of items where goals were not achieved;
 - (ii) Reasons for MIG rollover and Disapproval of protective structures;
 - (iii) Over-achievement on VIP toilets and More than one VIP per site;
 - (iv) Desilting of Camps Drift;
 - (v) Lifespan of Landfill Site and future plans in respect of the Landfill Site and projects related to the Landfill Site;
 - (vi) Effects of being under administration;
 - (vii) Scarce skills allowance;
 - (viii) Reasons for installation of high masts in certain areas;
 - (ix) Extension of sewer services to entire Edendale area;
 - (x) Service Level Agreements (SLAs) with the uMgungundlovu District Council;
 - (xi) Acting appointments and filling of vacancies; and,
 - (xii) Update regarding the Gas-to-Energy project (attached report-Annexure „M“).
- Responses to the above issues are contained on pages 2-4 of the minutes.

4.6.2 COMMUNITY SERVICES:

- Refer minutes, 10th March, 2011, pages 33-34 (annexure „J“).
- Refer Annual Report, pages 175-181; pages 229-244.
- The following issues were raised by the Committee:
 - (i) Service Level Agreements with Provincial Government in respect of nursing/clinic staff;
 - (ii) Procurement constraints; and,
 - (iii) Ashdown Library.
- Responses to the above issues are contained on page 5 of the minutes.

4.6.3 ECONOMIC DEVELOPMENT AND PLANNING:

- Refer minutes, 10th March, 2011, pages 40-41 (annexure „K“).
- Refer Annual Report, pages 170-174; pages 220-221.
- The following issues were raised by the Committee:
 - (i) Reallocation of funds from the BEE programme;
 - (ii) Storm water drainage at airport runway and extension of airport terminal;
 - (iii) Specifics on job creation plans;
 - (iv) Service Level Agreements for Market and Airport; and,
 - (v) Land disposal and Action taken in respect of vacancies in the unit.
- Responses to the above issues are contained on page 3-4 of the minutes.

4.5.7 COUNCIL AND COMMITTEE SUPPORT:

- Refer minutes, 10th March, 2011, pages 41-42 (annexure „K“)
- Refer Annual Report, pages 155-161; pages 220-221.
- The following issue was raised by the Committee:
 - (i) Financial constraints
- Responses to the above issue are contained on page 5 of the minutes.

5 The Annual Report Checklist:

- 5.1 National Treasury, Circular No.32 of the MFMA Act No. 32 of 2003, prescribes the utilization of an Annual Report Checklist for use during the Oversight process.
- 5.2 This checklist is attached as Annexure „O“.
- 5.3 Responses to the checklist have two (2) components as follows:
- (i) A statement of endorsed/ not endorsed in terms of the relevant reporting requirement/s;
 - (ii) Issues highlighted by Committee with reference to particular areas of concern.

6 Progress on Recommendations from the 2008/ 2009 Oversight Report:

- 6.1 Annexure „R“ is a table that outlines the recommendations that were approved from the 2008/ 2009 Oversight Report as follows:
- Recommendation/ Reservation 2008/ 2009;
 - Status of implementation/ progress (yes/ no/ partial); and,
 - Comments.

7 Comments Received:

- 7.1 Copies of the Annual Report were submitted to the:
- ✓ Auditor-General
 - ✓ Provincial Treasury;
 - ✓ National Treasury; and,
 - ✓ The Department of Cooperative Governance and Traditional Affairs (COGTA).
- 7.2 Comments were invited from the public in the advert that was published in the local media.
- 7.3 The Auditor General attended the meeting of the Oversight Committee that was held on the 24th February 2011. Comments and input of the Auditor General are contained further on in the Oversight Report and in the attached minutes.
- 7.4 No comments were received from the offices of the Provincial Treasury, National Treasury and Department of Cooperative Governance and Traditional Affairs.
- 7.5 No comments were received from members of the public.

8 Financial Implications:

The 2009/2010 Annual Report and Oversight Reports will entail certain costs, including:

- Publishing and Printing costs of Annual Report- R155 490- this has been attended to within the regulated Supply Chain processes of the Municipality.
- Payment to Community Representatives on Oversight Committee- R 39 021.60

9 Communications Implications:

The 2009/2010 Annual Report and Oversight Report will be distributed to:

- The National Treasury;

- Auditor-General;
- MEC, Department of Cooperative Governance and Traditional Affairs;
- MEC: Provincial Treasury;
- The Provincial Legislature;
- Both reports will be made available on the Msunduzi Municipality's website.
- The Annual Report, 2009/2010 has already been made available at all ABM offices.

10 **RECOMMENDATIONS:**

IT IS RECOMMENDED:

- 10.1 That the Council, having considered the 2009/2010 Annual Report of the Msunduzi Municipality, as tabled on 26th January 2011, adopts the Oversight Report, in terms of Section 129 of the Municipal Finance Management Act (MFMA).
- 10.2 That the 2009/2010 Annual Report of the Msunduzi Municipality and its Municipal Entity, be **Approved - With Reservations**, in terms of Section 129 of the Municipal Finance Management Act (MFMA). **Reservations noted:**
 - A. Standards in terms of GRAP 16 (Investment Property) and GRAP 17 (Property, Plant and Equipment) have not been met;
 - B. The municipality received a qualified audit opinion for the financial year ending June 2010;
 - C. The Annual Performance Report does not include a report on actions implemented in response to the Audit on Performance Information from the previous financial year;
 - D. The Annual Report does not include an assessment of the performance of the Municipal Entity and all contracted service providers;
 - E. The Annual Report does not include any reference to/ indication of any existing Service Level Agreements with the Municipal Entity;
 - F. Qualification received for wasteful expenditure on an Information Technology system that was purchased but not utilized;
 - G. The report on the Municipal Infrastructure Grant (MIG) does not reflect infrastructure backlogs.
- 10.3 That the minutes of the meetings where the Annual Report was discussed be submitted to:
 - the Auditor-General;
 - MEC: Department of Cooperative Governance and Traditional Affairs; and,
 - MEC: Provincial Treasury,
 as attached to the report, in terms of Section 129 (2) of the MFMA.
- 10.4 That the 2009/ 2010 Oversight report of the Msunduzi Municipality be made public in terms of Section 129 (3) of the Municipal Finance Management Act, and be submitted to the KwaZulu Natal Provincial Legislature in terms of Section 132(2) of the Municipal Finance Management Act.
- 10.5 That the implementation plan to deal with the response to the Auditor General, must be submitted to the Municipal Public Accounts Committee and monitored on an ongoing basis.
- 10.6 That the Terms of Reference for the Controls Transformation Steering Committee must include all issues relating to internal controls in order to achieve an unqualified audit opinion.
- 10.7 That in future all service providers and municipal entities must have Service Level Agreements with the Municipality so that regular performance assessments can be done in order for any relevant action to be taken by the Administration and must be reported on in the Annual Financial Statements.

- 10.8 That the loss of critical technical staff and the need for urgent action be noted with concern.
- 10.9 That as a matter of priority the Administrator, in consultation with the Provincial Intervention Team and relevant officials, (i) revisit the policy on scarce skills and the retention of technical staff and (ii) develop a strategy for the urgent filling of critical, vacant technical posts in the municipality and submit a report thereon to the Executive Committee.
- 10.10 That the Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting] submit a report to the Infrastructure Services Portfolio Committee detailing the background to the gas-to-energy project; the financial costs of this project, both short and long term, to the Municipality and the benefits of this project, financial and otherwise, to the Municipality, Eskom and the service provider; with a view to the Council reviewing the financial feasibility of this project.
- 10.11 That in future the Municipal Manager, in consultation with the Strategic Executives, must provide spending plans and, where appropriate, maintenance plans for the use of all donor/grant funding received.
- 10.12 That in future the Municipal Infrastructure Grant information in the Annual Report must include information on the scale of the infrastructure backlogs, in order for the municipality to assess the effectiveness of its infrastructure projects and programmes.
- 10.13 That the following unresolved recommendations from the 2008/ 2009 Oversight Report be carried forward to the current Oversight Report and that the Municipal Manager submits a comprehensive report to the Municipal Public Accounts Committee (MPAC), outlining mechanisms that have been put in place to address these issues:
- There is no proper report on the municipality's performance management system as is required by Section 46 of the MSA as well as Section 121 (3)(c) & (f) of the MFMA.
 - The lack of a performance audit made it difficult for the committee to carry out its responsibilities.
 - That due to the absence of the audited performance, the committee was not in a position to question service delivery or backlogs in certain budget targets as set out in the implementation plan of business units Service Delivery and Budget Implementation Plans (SDBIP).
 - That the corrective measures outlined in management's responses to the Auditor-General's management letter, the Action Plan of the Controls Transformation Steering Committee (CSTC), and the Audit Committee be implemented.
 - That the 2008/2009 Oversight Report of the Msunduzi Municipality and its Municipal Entity be made public in terms of Section 129 (3) of the Municipal Finance Management Act (MFMA);
 - That, in future, an electronic version of the Annual Report is available in Zulu.

Respectfully submitted,



Councilor M. Inderjit,
(Chairperson: Oversight Committee, 2011)

Annexure 'A'

The Msunduzi Municipality OFFICE OF THE MUNICIPAL MANAGER

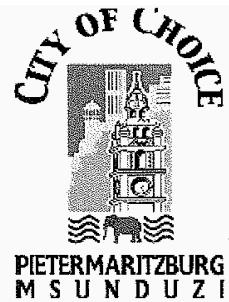
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ePietermaritzburg 3200

e-mail: mercia.daniel@msunduzi.gov.za



Provincial Treasury
P O Box 3613
PIETERMARITZBURG
3200

28 January 2011

As Per Hand Delivery

Dear Sir/Madam

RE: SUBMISSION OF THE MSUNDUZI MUNICIPALITY ANNUAL REPORT 2009/10

In accordance with the provisions contained in Section 127(5) (b) of the Municipal Finance Management Act, please find enclosed a copy of the Final Annual Report of 2009/2010 of the Msunduzi Municipality. Please also find a copy of the Council resolution of the meeting at which the Annual Report was tabled on Wednesday, 26th January 2010.

Yours faithfully

T S MASEKO
MUNICIPAL MANAGER (Acting)

MTHOKOZISI QWABE		01-02-11
Received By: Name	Received By: Signature	Received By: Date

Annexure 'B'

**The Msunduzi Municipality
OFFICE OF THE MUNICIPAL MANAGER**



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Department of Co-operative Governance and Traditional Affairs
Private Bag X9078
PIETERMARITZBURG
3200

28 January 2011

As Per Hand Delivery

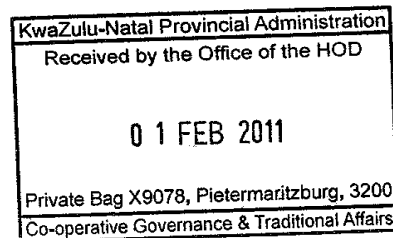
Dear Sir/Madam

RE: SUBMISSION OF THE MSUNDUZI MUNICIPALITY ANNUAL REPORT 2009/10

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Yours faithfully

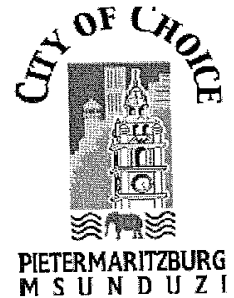

T S MASEKO
MUNICIPAL MANAGER (Acting)



Received By: Name	Received By: Signature	Received By: Date

Annexure 'C'

**The Msunduzi Municipality
OFFICE OF THE MUNICIPAL MANAGER**



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The Chief Director : Local Government Budget Analysis
Intergovernmental Relations
National Treasury
Private Bag X115
PRETORIA
0001

28 January 2011

Attention: Mr Jan Hattingh

Dear Sir

RE: SUBMISSION OF THE MSUNDUZI MUNICIPALITY ANNUAL REPORT 2009/10

In accordance with the provisions contained in Section 127(5) (b) of the Municipal Finance Management Act, please find enclosed a copy of the Final Annual Report of 2009/2010 of the Msunduzi Municipality. Please also find a copy of the Council resolution of the meeting at which the Annual Report was tabled on Wednesday, 26th January 2010.

Yours faithfully

**T S MASEKO
MUNICIPAL MANAGER (Acting)**

Annexure 'D'

**The Msunduzi Municipality
OFFICE OF THE MUNICIPAL MANAGER**



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Office of the Auditor-General
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28 January 2011

As Per Hand Delivery

Dear Sir/Madam

RE: SUBMISSION OF THE MSUNDUZI MUNICIPALITY ANNUAL REPORT 2009/10

In accordance with the provisions contained in Section 127(5) (b) of the Municipal Finance Management Act, please find enclosed a copy of the Final Annual Report of 2009/2010 of the Msunduzi Municipality. Please also find a copy of the Council resolution of the meeting at which the Annual Report was tabled on Wednesday, 26th January 2011.

Yours faithfully

**T S MASEKO
MUNICIPAL MANAGER (Acting)**

W. SAIB		02/02/2011
Received By: Name	Received By: Signature	Received By: Date

Annexure 'E'

OVERSIGHT COMMITTEE – SCHEDULE OF MEETINGS AND DISCUSSION ITEMS: 22ND FEBRUARY- 23RD MARCH 2011



DATE	DISCUSSION ITEMS	REQUIRED OFFICIALS/ OTHER
Tuesday, 22 nd February 2011	Orientation on Oversight Committee and Report	<ul style="list-style-type: none"> - Municipal Manager (Acting); - Oversight Committee support team
Thursday, 24 th February 2011	<ul style="list-style-type: none"> - Annual Financial Statements (consolidated) - Report of the Auditor General - Report of the Audit Committee - Safe City Annual Report - Response to the Auditor General 	<ul style="list-style-type: none"> - Municipal Manager (Acting); - CFO (Acting); - Office of the Auditor General; - Chairperson of the Audit Committee. - CEO, Safe City - Oversight Committee support team
Wednesday, 02 nd March 2011	<ul style="list-style-type: none"> - Presentations by Business Units on information contained within the Annual Report and Service Delivery achievements (Infrastructure Services and Community Services) - Begin review of Annual Report checklist 	<ul style="list-style-type: none"> - Municipal Manager (Acting) - Strategic Executive: Infrastructure Development, Service Delivery & Maintenance Management(Acting) - Strategic Executive - Community Service Provision & Management Delivery (Acting); - Executive: Human Resources (Acting) - Oversight Committee support team
Wednesday, 09 th March 2011	<ul style="list-style-type: none"> - Continue presentations by Business Units on information contained within the Annual Report and Service Delivery achievements - Public comment received on Annual Report - Continue review of Annual Report Checklist 	<ul style="list-style-type: none"> - Municipal Manager (Acting) - Executive: Human Resource Management (Acting) - Executive: Economic Development and Planning - Executive: Council and Committee Support - Oversight Committee support team
Wednesday, 16 th March 2011	<ul style="list-style-type: none"> - Presentation on Municipal Infrastructure grant - Continue Review of Annual Report Checklist - Confirm recommendations of Oversight Report 	<ul style="list-style-type: none"> - Municipal Manager (Acting) - Strategic Executive: Infrastructure Development, Service Delivery & Maintenance Management(Acting) - Oversight Committee support team
Wednesday, 23 rd March 2011	<ul style="list-style-type: none"> - Finalize Oversight Report for onward transmission to Council 	

Annexure 'F'

Msunduzi Municipality

PROVINCE OF KWAZULU-NATAL KZN225



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

- **Thursday, 24th February 2011**
- **Wednesday, 02nd March 2011**
- **Wednesday, 09th March 2011**
- **Wednesday, 16th March 2011**
- **Wednesday, 23rd March 2011**

All meetings will be held at the Council Chamber, City Hall. Meetings will commence at 10H00.

The adoption of the Oversight Report is the final document in the reporting process of a municipality. The Oversight Report is a requirement in terms of Section 129 of the MFMA, and requires the council to adopt an Oversight Report, no later than 2 months after the tabling of the Annual Report.

Msunduzi Municipality's 2009/ 2010 Annual Report was tabled in Council on 26th January 2011, is available for public viewing and has been published on the municipality's website www.msunduzi.gov.za. Copies are available at the following satellite offices:

Area Office	Contact Name/s	Contact Number/s
Vulindlela	Caleb Magubane/ Ziningi Ndlela	033-505 0006
Ashburton	Balraj Roopan/ Margaret Mntungwa	033-392 2380/1
Edendale	Emerald Buthelezi / Buyi Hlophe	033-392 3171/2
Imbali	Sasa Mngadi/ Thabsile Khumalo	033-392 3619/22
Northern Areas	Anwar Hoosen/ Xolani Ntshangase	033-397 0131/ 387 3168
City Hall	Lungelo Sithole	033-392 2209/2029

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

The public is invited to submit written concerns on the Annual Report to:

Office of the Municipal Manager,

Ref: Annual Report 2009/ 2010

Private Bag X321,

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Final Date for Submissions: Friday, 25th February 2011

MINUTES OF THE OVERSIGHT COMMITTEE

INAUGURAL MEETING HELD IN COUNCIL CHAMBER ON TUESDAY, 22 FEBRUARY 2011 AT 14:15

PRESENT: Councillors M Inderjit (Chairperson), N Atwaru, F Mbatha, E Mzila, K Olivier, SJ Seymour, AS Sibisi, RB Singh and M Thebolla.

ABSENT: Councillors NV Duze, BS Ngubane and A Shelembe (*no applications for leave received*).

COMMUNITY MEMBERS

PRESENT: Mrs RFN Khoza and Messrs ES Sithole and B Mshengu.

OFFICIALS

PRESENT: Messrs T Maseko (Municipal Manager [Acting]), WF Cooper (Portfolio Committee Representative), F Cassimjee (Executive: Internal Audit and Compliance [Acting]) and R Mkhize (Executive: Council and Committee Support [Acting]) and Mesdames M Jackson-Plaatjies (Manager: Office of the Municipal Manager) and A Geary (Committee Officer).

1) **WELCOME AND APPLICATIONS FOR LEAVE FROM THE CURRENT MEETING OF THE OVERSIGHT COMMITTEE**

(Raised verbally)

The Chairperson welcomed all present.

There were no applications for leave received. It was noted that Councillor Sibisi would be arriving late.

(Councillors NV Duze, BS Ngubane and A Shelembe were not present for this item)

2. **INTRODUCTION OF MEMBERS**

(Raised verbally)

At the request of the Chairperson all the Councillors introduced themselves and the three community members introduced themselves.

The Chairperson noted that the following Councillors were absent but were also named as members of the committee, viz. Councillors NV Duze, BS Ngubane and A Shelembe.

(Councillors NV Duze, BS Ngubane and A Shelembe were not present for this item)

3. **OVERSIGHT COMMITTEE AND MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

(Raised verbally)

In response to a query by Councillor Seymour, the Manager: Office of the Municipal Manager advised that the National Regulations governing the establishment of Oversight Committees stipulated specific terms of reference, which correlated with those of the Municipal Public Accounts Committee (MPAC). In order not to duplicate the work of the MPAC, it was decided to recommend that the MPAC serve as the Oversight Committee, together with the three community members who still had to serve one year of their term of office. However, she stated that the Oversight Committee would be dealing with the Annual Report only and would generally be meeting separately from the MPAC scheduled meetings.

NOTED.

(Councillors NV Duze, BS Ngubane and A Shelembe were not present for this item)

4. **CONCERNS RE PROCESS FOLLOWED FOR ESTABLISHMENT OF THE OVERSIGHT COMMITTEE**

(Raised verbally)

Councillor Thebolla expressed his concern regarding the fact that the Executive Committee had established the Oversight Committee, as this committee was a committee of Full Council and could therefore only be established by the Full Council. He further expressed his concerns regarding the involvement of the Executive Committee as the Oversight Committee was tasked to assess the performance of the Mayor and the Executive Committee. He stated that he understood the time constraints which may have led to the current situation, but requested that the establishment of the Oversight Committee be tabled at the Full Council meeting the following day in order to ensure that the legitimate process was followed.

Councillor Seymour supported Councillor Thebolla.

It was

AGREED

That the Municipal Manager [Acting] and Manager: Office of the Municipal Manager liaise with the Speaker and make the necessary arrangements to table a report recommending the establishment of the Oversight Committee at the Full Council meeting to be held on 23 February 2011.

(Councillors NV Duze, BS Ngubane and A Shelembe were not present for this item)

5. **OVERSIGHT COMMITTEE: TERMS OF REFERENCE (9.4.R)**

(i) Document dated February 2011 by Manager: Office of the Municipal Manager.

(Page 1 of agenda)

(ii) Presentation by Manager: Office of the Municipal Manager.

(Page 20 of agenda)

The Manager: Office of the Municipal Manager briefly outlined the function of the Oversight Committee, which was to prepare the Oversight Report after assessing the performance of the Municipality for the year under review, as reflected in the Annual Report. She referred to the Annual Report Checklist which appeared on Annexure B of the document and advised that this was the chief tool which the committee would be using to put together the Oversight Report. She advised that her role was to co-ordinate the process and guide the committee through the process.

The Manager: Office of the Municipal Manager then led the committee through the presentation, with particular reference to the following, viz.

- Separation of roles
- Roles and responsibilities of the Oversight Committee
- Oversight process
- What is an Annual Report
- Format and content of Annual Report
- What is the Oversight Report
- Reports/documentation to be used during the Oversight process
- Public evaluation
- Oversight Committee's determination regarding Annual Report and recommendations to Full Council by 30 March 2011

The Manager: Office of the Municipal Manager advised that as soon as the Annual Report had been tabled at the Full Council meeting of 26 January 2011, it had been made available on the Municipal Website and an advertisement had been placed in the press advising that the Annual Report was available for viewing by the public at five satellite Municipal offices; in addition the public had been invited to attend meetings of the Oversight Committee to participate in the process. She advised that the Oversight Report was a report of Council assessing the service delivery performance of the municipality; whereas the Annual Report was a report of the Administration and contained all information on budget and service delivery, whether positive or negative. She stated that the Oversight process was a complex process and that the Committee could request additional documentation to assist them in their task. She explained that the Budget reflected financial indicators, whereas the Service Delivery Budget Implementation Plans (SDBIP) reflected both financial and service delivery indicators.

The Manager: Office of the Municipal Manager advised that the Oversight Committee did not assess the performance of the Municipal Manager or Senior Management, but had to review the targets established in the Budget and SDBIP and assess whether the promised service delivery targets had been met.

In response to a query from Councillor Olivier, the Manager: Office of the Municipal Manager advised that the public members had been selected for a two year term at the beginning of 2010, following a process of advertisement, shortlisting and selection by the former Municipal Manager. She noted that there had been a minimal response to the advertisements. The Municipal Manager [Acting] advised that the existing Council resolution regarding their appointment would stand, until it was replaced or reaffirmed by Council.

The Chairperson noted that he had read the previous Oversight report and commended the public members for their valuable contribution.

Councillor Seymour stated that, from her experience, the Annual Report was not an easy document to understand as laymen and that Councillors should not be afraid to ask questions in order to ensure that they had the necessary understanding for a very complex process.

NOTED.

(Councillors NV Duze, BS Ngubane and A Shelembe were not present for this item)

6. **OVERSIGHT COMMITTEE SCHEDULE OF MEETINGS AND DISCUSSION ITEMS (9.4.2.1.1)**

Schedule by Manager: Office of the Municipal Manager.

(Page 36 of agenda)

The Manager: Office of the Municipal Manager advised that all meetings had been set and advertised for specific Wednesdays at 10:00 in the Council Chamber. She advised that the schedule had been developed in consultation with the calendar of meetings of the Council's committees and according to regulated timeframes. She explained that, in consultation with the Chairperson, it had been agreed that the first official, public meeting of the Oversight Committee would take place just prior to the MPAC meeting on Thursday, 24 February 2011 and that the MPAC meeting had therefore been brought forward to 10:00 in order to accommodate this. She further advised that the meeting would commence as the Oversight Committee in order to accommodate the community members, the representatives from the Auditor-General, the Chairperson of the Audit Committee and the Chief Executive Officer of Safe City.

With reference to the availability of additional reports and documentation as referred to on page 30 of the agenda, Councillor Thebolla requested that reports from Ward Committees should be made available. The Chairperson undertook to make this request in writing to the Municipal Manager [Acting].

Mr Mshengu requested that committee give consideration to starting the meeting earlier in order to assist the public members who had work commitments.

The Chairperson undertook to give the matter consideration, bearing in mind that the times had already been advertised.

(Councillors NV Duze, BS Ngubane and A Shelembe were not present for this item)

The meeting terminated at 15:20

Confirmed by

CHAIRPERSON

PIETERMARITZBURG

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, 1ST FLOOR, CITY HALL
ON THURSDAY, 24 FEBRUARY 2011 AT 10:00

PRESENT: Councillors M Inderjit (Chairperson), N Atwaru, F Mbatha, E Mzila, K Olivier, SJ Seymour, AS Sibisi, RB Singh and M Thebolla.

ABSENT: Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi (*no applications for leave received*).

COMMUNITY MEMBERS

PRESENT: Mrs RFN Khoza and Messrs ES Sithole and B Mshengu.

ALSO

PRESENT: The Speaker (Councillor V Baijoo), Messrs A Jordaan (Chairperson: of the Audit Committee), I Perumaul (Operational Leader (Auditor General of South Africa), A Heylause (Chief Financial Officer: Safe City), P Warmington (Director: Safe City) AR George (Msunduzi Rates Forum), RN Naidoo (Msunduzi Rates Forum), Mesdames M Vather (Senior Manager: Auditor General of South Africa), W Saib (Manager: Auditor General of South Africa).

OFFICIALS

PRESENT: Messrs MB Sahibdeen (Chief Financial Officer [Acting]), WF Cooper (Portfolio Committee Representative), T Maseko (Municipal Manager [Acting]), R Mkhize (Executive: Council and Committee Support [Acting]), Z Khoza (Internal Audit), R Singh (Head: Supply Chain Management), Mesdames R Padayachee (Executive: Financial Control and Cash Management [Acting], M Rowland (Committee Officer) and G Dlamini (Committee Officer).

2) APPLICATIONS FOR LEAVE FROM THE CURRENT MEETING OF THE OVERSIGHT COMMITTEE

The Chairperson welcomed all present. He advised Committee that there were no apologies received. He further advised Committee that Mr Mshengu had requested to leave before 12:00.

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

2. INTRODUCTION

The Speaker introduced himself and thanked all Councillors, Public, guests from the office of the Auditor General for attending the meeting.

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

3. REPORT OF THE AUDIT COMMITTEE: PRESENTATION BY CHAIRPERSON OF THE AUDIT COMMITTEE (3.10.R)

(Page 133 of Annual Report)

The Chairperson of the Audit Committee reported that there were two resignations received by the Audit Committee in 2010. He reported that another resignation was received on 22 February 2011 and the Audit Committee was now left with three members.

He further reported that in December 2010 there was an indication that nominations should be put forward for the replacement of Audit Committee members and Curriculum Vitae were submitted and a meeting was held with the Mayor, but there had been no response from the Msunduzi Municipality. The Chairperson of the Audit Committee reported that the Oversight Committee would add value to the Audit Committee.

The Executive: Council and Committee Support [Acting] advised Committee that there were new vacancies shown on the proposed structure. He reported that those vacancies were not filled. He further reported that issues of performance were part of the turnaround strategy.

It was

AGREED

(a) That the Municipal Manager [Acting] submits a report in respect of filling of vacancies within the Audit and the Municipal structure to Full Council and report back to the next Oversight Committee meeting.

(b) That the Chairperson of the Audit Committee conducts research in respect of the number of years the Audit Committee members had to serve.

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

4 ANNUAL FINANCIAL STATEMENTS – CONSOLIDATION: PRESENTATION BY THE CHIEF FINANCIAL OFFICER [ACTING] (3.7.1 2011/2012)

(Page 12 of Annual Report)

4.1 Financial Statements 2009/2010

The Chief Financial Officer [Acting] conducted a presentation on the Financial Statements 2009/2010. He reported that the Annual Financial statements were submitted to the Auditor General on 31 August 2010 and they had met the Municipal Finance Management Act deadlines. He further reported that the 2009/2010 Annual Report was tabled at Full Council on 26 January 2011 and had met the Municipal Finance Management Act deadlines.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

4.2 Investment Property

The Chief Financial Officer reported that the Msunduzi Municipality had not finalised the process of recognising all investments properties. He reported that there was a property that was incorrectly valued last year at R 220 million and it was correctly adjusted to R 5, 580 million.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

4.3 Irregular Expenditure

The Chief Financial Officer reported that during the audit process payments of R19, 326 million were identified as being made in contravention of the Supply Chain Management Policy and there were no adequate systems in place to identify and record all irregular expenditure.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

4.4 Overtime Policy

The Chief Financial Officer [Acting] reported that the overtime policy was reviewed and approved by Full Council on 30 June 2010.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

4.5 Government Debt

The Chairperson reported that Government departments were making payments. He advised Committee that the level of increase was from 55% to 75 %.

The Committee suggested that all Governments Departments be penalised and interest charged on those outstanding accounts.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

4.6 Unauthorised, Irregular or Fruitless and Wasteful Expenditure

The Chief Financial Officer [Acting] reported that at the Full Council held on 26 January 2011 it was resolved:

- That the Executive: Internal Audit [Acting] be tasked to investigate the findings of the Auditor-General in respect of Irregular expenditure as disclosed in note No. 46 in the 2009/2010 consolidated Annual Financial Statements.
- That the Auditor General's report of the Auditor General to the KwaZulu-Natal Provincial Legislature and the Council on the Msunduzi Municipality be submitted to the Municipal Public Accounts Committee (MPAC) for further interrogation.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

4.6 Asset Management

The Chief Financial Officer [Acting] reported that the Asset Management Unit was busy with the process of reviewing the useful lives of all movable assets. He reported that four individuals had been identified to update the backlog of asset verification.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

5. Report by the Head: Supply Chain Management [Acting]

(Raised verbally)

The Head: Supply Chain Management [Acting] reported that the Supply Chain Management Policy was reviewed in October 2010 with seventeen amendments made by Full Council.

He reported that a process of centralisation of order clerks was undertaken. He further reported that the updating of the Tender System was in place. He advised Committee that they were busy with negotiations with the suppliers of the system and training of staff would be provided.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

6. **REPORT OF THE AUDITOR GENERAL: PRESENTATION BY OFFICE OF THE AUDITOR GENERAL: AUDIT OUTCOME 2009/2010 (3.10.R)**

(Page 125 of Annual Report)

The Operational Leader (Auditor General of South Africa) led Committee through the report. He reported that the Auditor General South Africa enables accountability and good governance in the public sector by helping the Legislature, Council and any other relevant authority. He further reported that the Auditor General of South Africa provides quality audits, assurance, objective and independent information on how the City's resources should be used and Governance principles were adhered to. He briefed Committee on the following:

6.1 Property, Plant and Equipment

The Operational Leader (Auditor General of South Africa) reported that the Municipality had not reviewed the residual values and useful lives of furniture and equipment at each reporting date in accordance with Grap 17.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

6.2 Investment Property

The Operational Leader (Auditor General of South Africa) reported that the incorrect valuation of investment property was conducted in the prior year.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

6.3 Overtime Payments

The Operational Leader reported that a proper system of control was not in place over the authorisation and recording of overtime claims. He reported that sufficient appropriate audit evidence could not be obtained to confirm the occurrence, accuracy and completeness of overtime payments.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

6.4 Irregular Expenditure

The Operational Leader (Auditor General of South Africa) reported that payments were identified as being made in contravention of the Supply Chain Management requirements.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

6.5 Predetermined Objectives

The Operational Leader outlined the following:

- That there was non-compliance with regulatory and reporting requirements;
- That the Performance Audit Committee was unable to function in accordance with the Municipal Planning and Performance Management Regulations;
- That the Internal Auditors did not audit the Performance measurements on a continuous basis and submit quarterly reports to the Municipal Manager and the Audit Committee;
- That there was a lack of adoption and implementation of a Performance Management System;
- That the information was not consistent with planned objectives, indicators and reported targets were not specific and measurable;
- That there was inadequate content in the Integrated Development plan.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

7. **RESPONSE TO THE AUDITOR GENERAL: PRESENTATION BY THE MUNICIPAL MANAGER [ACTING] (3.10.R)**

(Page 135 of Annual Report]

The Municipal Manager [Acting] referred Committee to his report which was a summarised response to the Auditor General dated 23 December 2010 and dealt with the Consolidated Annual Financial Statements of the Msunduzi Municipality for the year ending 30 June 2010.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

8. **SAFE CITY ANNUAL REPORT: PRESENTATION BY CHIEF EXECUTIVE OFFICER SAFE CITY (21.4.R)**

(Page 269 of Annual Report)

The Director of Safe City reported that their mission was to provide camera surveillance on certain areas under the jurisdiction of the Msunduzi Municipality.

He mentioned that the aim was to encourage a crime free environment for the benefit of the Municipality's communities, attract investors, promote development, tourism and job creation. He reported that the role players in the process were the following:

- The Msunduzi Municipality;
- Business Fighting Crime;
- South African Police;
- National Prosecuting Authority (NPA).

The Chief Executive Officer: Safe City reported that 181 arrests were carried out, 1550 responses by the South African Police and 3067 number of incidents detected in 2009/2010. He outlined Operations and Staffing as follows;

- That the Control Room was operating 24/7;
- That three shifts consists of one Supervisor and six operators;
- That there was one Control Room Manager;
- That they had 24/7 South African Police presence in the Control Room with an Officer to control footage for evidential purposes.
- That they had 24/7 technical support provided by three Safe City Technicians;
- That all Control Room staff were PSIRA grade and SAMAE certified;
- That Forty three percent of staff were physically disabled.
- That all Safe City operations were target driven;
- That they had daily Control Room operational planning compiled from South African Police crime matrix for previous 24 hours.

The Municipal Manager [Acting] thanked Safe City for conducting the presentation. He advised Committee that Safe City was used to gain information on cases reported.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

9. **GENERAL**

9.1 Performance Agreement and Performance Management System

(Raised verbally)

In response to a query, the Manager: Office of the Municipal Manager explained that the Section 57 Managers signed a fixed term employment contract with the Municipality. Attached to their employment on an annual basis, the Section 57 Managers enter into an annual performance agreement with the Municipality. However, the Performance Management System applied to the entire Municipality and was a tool to measure whether the Municipality had achieved goals as stated in the Integrated Development Plan (IDP), Service Delivery Budget Implementation Plan (SDBIP) and relevant legislation.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

9.2 Roles and Responsibility

(Raised verbally)

In response to a concern raised the Municipal Manager [Acting] undertook to arrange with the Legislature for a presentation to be made to the Committee regarding its roles and responsibilities.

NOTED

(Councillors NV Duze, BS Ngubane, A Shelembe and AS Sibisi were not present for this item)

The meeting terminated at 13:10

Confirmed by

CHAIRPERSON

PIETERMARITZBURG

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN COUNCIL CHAMBER
ON **WEDNESDAY, 2 MARCH 2011** AT 10:30

PRESENT: Councillors M Inderjit (Chairperson), N Atwaru, F Mbatha, E Mzila, SJ Seymour, A Shelembe AS Sibisi, RB Singh and M Thebolla.

ABSENT: Councillors NV Duze (indisposed), BS Ngubane (indisposed) and K Olivier (travelling to Western Cape).

**COMMUNITY
MEMBERS**

PRESENT: Mrs RFN Khoza and Mr ES Sithole.

**COMMUNITY
MEMBERS**

ABSENT: Mr B Mshengu (indisposed).

ALSO

PRESENT: Mr V Dlamini and Ms J Smith (PACSA).

OFFICIALS

PRESENT: Messrs T Maseko (Municipal Manager [Acting]), WF Cooper (Portfolio Committee Representative), T Cowie (Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting]), B Sivpersad (Executive: Water Distribution [Acting]), M Mthembu (Executive: Electricity [Acting]) and Mesdames Dr J Dyer (Strategic Executive: Community Services, Delivery Provision and Management [Acting]), M Jackson-Plaatjies (Manager: Office of the Municipal Manager) and A Geary (Committee Officer).

3) **WELCOME AND APPLICATIONS FOR LEAVE FROM THE CURRENT MEETING OF THE
OVERSIGHT COMMITTEE**

(Raised verbally)

The Chairperson apologised for the late start due to councillors arriving late and the meeting not being quorate.

Leave applications were received from Councillors BS Ngubane (indisposed – eye operation) and K Olivier (travelling to Western Cape) and Mr B Mshengu (indisposed). Councillor Thebolla advised that Councillor NV Duze had sent her apologies as she was not well.

It was

RESOLVED

That Councillors BS Ngubane, K Olivier and NV Duze and Mr Mshengu be granted leave of absence from the current meeting of the Oversight Committee.

2. CONFIRMATION OF MINUTES

(i) Minutes of Oversight Committee meeting held on 22 February 2011.

(Page 1 of agenda)

(ii) Minutes of Oversight Committee meeting held on 24 February 2011.

(Page 5 of agenda)

Committee requested that the agendas be distributed at least two days prior to the meetings.

In view of the late receipt of the agenda, it was

RESOLVED

That the minutes of the Oversight Committee meetings held on 22 and 24 February 2011 be STOOD DOWN for confirmation at the next meeting.

3. PRESENTATION BY INFRASTRUCTURE DEVELOPMENT, SERVICE DELIVERY AND MAINTENANCE MANAGEMENT BUSINESS UNIT ON INFORMATION CONTAINED IN ANNUAL REPORT

Presentation by Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting].

(Document tabled at the meeting)

The Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting] advised that the organizational structure had been changed and that Housing now fell within his business unit and would therefore be included in his presentation. He referred to the challenges affecting performance, viz. Roll over of MIG funds, disapproval of protective structures, financial situation, under administration and loss of technical staff. He listed the outstanding achievements of the unit despite these challenges and then took Committee through the performance of the sections, viz.

- Housing
- Water distribution
- Sewerage
- Roads and transportation
- Electricity distribution
- Waste management
- Municipal Infrastructure Grant

Issues raised during discussion:

- Carry over of items where goals were not achieved

The Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting] advised that the projects where goals were not achieved would be carried over into the next financial year.

- Reasons for MIG rollover and Disapproval of protective structures

He explained that the MIG rollover in previous years was a result of projects which were in progress but could not be finished within the financial year and the funds were therefore rolled over to the next financial year to ensure the project was completed. The Municipal Manager [Acting] advised that the application for MIG funding for the protective structures had been turned down by National Treasury as it did not meet the strict conditions for MIG funding. He explained that the rollover had presented a challenge because the municipality had to wait for approval from National Treasury for the R23million to be rolled over.

- Over-achievement on VIP toilets and More than one VIP per site

The Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting] advised that the „over-performance“ on the VIP toilets was as a result of funds from other under-performing MIG projects being reallocated to this project which was performing well. The Executive: Water Distribution [Acting] that the service providers for the VIP toilets had met their targets by mid-year and therefore the decision was made to reallocate funding to the project. He advised that Provincial policy allowed for one VIP for every seven people and that where the number of houses or residents on a property exceeded this amount they could qualify for a second VIP. However, he stated that second VIPs were only allocated after 100% allocation had first taken place. He advised that this project had a rolling target which changed as more houses/structures were built.

- Desilting of Camps Drift

The Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting] advised that the desilting of the Camps Drift had not been achieved because of under-performance by the contractor and that the matter was currently being dealt with by the Legal Unit. Committee was advised that all contracts involved a Service Level Agreement which was regulated by the General Conditions of Contract and involved processes to be followed and included provision for penalty clauses etc. in cases on poor performance. Councillor Atwaru's concerns were noted and she was requested to provide the Executive: Legal Services and Legislative Compliance [Acting] with the name of the case she had referred to in order for him to investigate its impact on the Municipality's contract procedures.

- Lifespan of Landfill Site and future plans in respect of the Landfill Site and projects related to the Landfill Site

The Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting] advised that the future of the Landfill Site was currently under discussion with the Umgungundlovu Municipality and alternative sites were being investigated. He advised that the District Municipality had funded an investigation into Landfill and Waste Removal operations in the area, with specific emphasis on recycling operations and the management and control of tip-pickers. The Executive: Electricity [Acting] advised that the gas-to-energy project had been revitalised and explained that the municipality would not get money from the project, but would gain credits and an alternative energy source should Eskom services go down.

- Effects of being under administration

The Municipal Manager [Acting] advised that when the municipality was placed under administration all Council funded capital programmes were stopped and operational funding was severely limited as a result of cashflow problems; which affected service delivery in respect of the planned projects and programmes.

- Scarce skills allowance

The Municipal Manager [Acting] advised that the Scarce Skills policy had been put on hold as a result of a communiqué from Kwanaloga.

- Reasons for installation of high masts in certain areas

The Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting] advised that High Masts were installed in areas which had specifically requested them due to high crime rates in those areas. He stated that it was hoped this could be extended to other areas.

- Extension of sewer services to entire Edendale area

The Executive: Water Distribution [Acting] advised that the Darvill Sewerage Works had reached full capacity and a feasibility study was underway to determine the best way forward.

- Service Level Agreements (SLAs) with the Umgungundlovu District Council

The Municipal Manager [Acting] advised that the SLA issue was the subject of discussions between the Mayor and the District Mayor, but that the possibility of being reimbursed for the years in which the municipality had performed district functions was difficult to rule on, as no SLAs currently existed and therefore no binding agreements were in place.

- Acting appointments and filling of vacancies

The Municipal Manager [Acting] advised that the plan was to advertise both the Section 57 posts as well as the posts of those managers reporting to the Section 57 managers and that the consultation process with Labour and other roleplayers was expected to be finalised by the end of March.

(The meeting adjourned for tea at 11:35 and reconvened at 11:55)

It was

RESOLVED

That the Executive: Electricity [Acting] submit a report to the next meeting of the Oversight Committee on the gas-to-energy project at the Landfill Site; the report to include an explanation of the terms of the agreement and the benefits to the Council, the community and the contractor.

It was

RESOLVED TO RECOMMEND TO THE FULL COUNCIL

- (a) That the loss of critical technical staff and the need for urgent action be noted with concern.
- (b) That as a matter of priority the Administrator, in consultation with the Provincial Intervention Team and relevant officials, (i) revisit the policy on scarce skills and the retention of technical staff and (ii) develop a strategy for the urgent filling of critical, vacant technical posts in the municipality and submit a report thereon to the Executive Committee.

4. **PRESENTATION BY COMMUNITY SERVICE PROVISION AND MANAGEMENT DELIVERY BUSINESS UNIT ON INFORMATION CONTAINED IN THE ANNUAL REPORT**

Presentation by Strategic Executive: Community Services, Delivery Provision and Management [Acting].

(Document tabled at the meeting)

The Strategic Executive: Community Services, Delivery Provision and Management [Acting] (Dr Dyer) advised that the structure of the unit had been amended in July 2010. She then outlined the functions which were under the Community Services portfolio during the period under review, viz.

- Risk Management (Fire; Traffic and Security; Disaster Management)
- Community Services (Parks, Sport and Recreation; Community Halls; Libraries, Tatham Art Gallery; Landfill Site)
- Health and Social Services (Environmental Health; Clinic Services; HIV/AIDS)

She highlighted the goals and actual performance under each section and the reasons for poor performance where relevant. In conclusion she referred to the fact that due to financial constraints and the impact of the Provincial intervention, most targets were not met; which severely affected maintenance and replacement programmes, which ultimately had a negative effect on service delivery and placed pressure on the unit to address the backlogs. She commended those managers who had gone out of their way to source grant funding for some of the projects.

Issues raised during discussion:

- SLAs with Provincial Government in respect of nursing/clinic staff

The Strategic Executive: Community Services, Delivery Provision and Management [Acting] advised that a report was currently being prepared on the issue of SLAs with Province and pointed out that the implementation of Occupational Specific Dispensation at National and Provincial level had contributed to the loss of health professionals.

- Procurement constraints

The Municipal Manager [Acting] explained that because the Municipality was in a recovery period the Expenditure Committee had been established in order to ensure that the Municipality did not spend more than it was collecting. He advised that this had unfortunately had the effect of creating delays in the supply chain process as most of the delegations to heads of departments had been removed and centralised in the Expenditure Committee. However, he noted that this was a temporary measure during the period of recovery and stabilisation.

- Ashdown Library

The Strategic Executive: Community Services, Delivery Provision and Management [Acting] undertook to investigate why there was no security at the Ashdown Library.

5. **REVIEW OF ANNUAL CHECKLIST**

Annual Report Checklist.

(Tabled at the meeting)

The Manager: Office of the Municipal Manager explained that the checklist was the Committee's main tool and that Committee needed to consider if each item was included in the Annual Report as required and whether the information contained in the Annual Report was adequate. She then led Committee through the checklist item by item and recorded their responses and whether they endorsed the item.

In response to a query, Mr Sithole explained that if an item was in the Annual Report, Committee could endorse it, but if they were not happy with the content they could take a resolution on the matter.

Financial Matters – Annual Financial Statements - Section 121 (3) MFMA

- 5.1 121 (3)(a): The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General
- (i) AFS contained in pages 13-103 of the Annual Report (**Endorsed**)
 - (ii) Date of Submission of AFS (**Endorsed**)
 - (iii) All standards have been met except:
 - o GRAP 16- Investment Property;
 - o GRAP 17- Property, plant and equipment. (**Not Endorsed**)
 - (iv) Qualified Opinion (**Not Endorsed**)

It was

RESOLVED

That the Municipal Manager [Acting] confirm the date on which the Annual Financial Statements were submitted to the Council and advise Committee at the next meeting.

5.2 121 (3)(a): Annual Financial Statements of Municipal Entity

- (i) Safe City AFS contained on pages 104-124 of Annual Report (**Endorsed**)
- (ii) All standards have been met except:
 - o Cash Collections and Donations (**Not Endorsed**)
- (iii) Qualified opinion (**Not Endorsed**)

5.3 121 (3)(b): The Auditor-General's reports on the financial statements of the municipality

- (i) Audit report included on pages 125-132 of the Annual Report (**Endorsed**)

5.4 121 (4)(b): Auditor's report on Municipal Entity

- (i) Audit Report by independent Auditors included on pages 113-114 of Annual Report (**Endorsed**)
- 5.5 121 (3)(h): Any explanations that may be necessary to clarify issues in connection with the financial statements
- (i) Notes contained on pages 41-79 of Annual Report (**Endorsed**)

It was

RESOLVED

- (a) That the Oversight Committee expresses reservations regarding the Annual Financial Statements in view of the basis for qualification by the Auditor-General.
 - (b) That the Chief Financial Officer [Acting] submit an Implementation plan on matters raised by the Auditor General on the Annual Financial Statements to the Municipal Public Accounts Committee (MPAC) and that this be monitored on an ongoing basis.
- 5.6 121 (4): Any explanations that may be necessary to clarify issues in connection with the financial statements of a Municipal Entity
- (i) Notes contained on pages 118-124 of Annual Report (**Endorsed**)
 - (ii) Reservations with reference to basis for qualification.

It was

RESOLVED

- (a) That the Oversight Committee expresses reservations regarding the Annual Financial Statements of Safe City in view of the basis for qualification by the Auditors.
 - (b) That Safe City submit an Implementation plan on matters raised by the Auditors on the Annual Financial Statements to the Municipal Public Accounts Committee (MPAC) and that this be monitored on an ongoing basis.
- 5.7 121 (3)(e): An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities
- (i) Impairment of debtors is included in the AFS as follows:
 - o Note 5, page 41;
 - o Page 43- reconciliation of debt impairment provision;
 - o Note 33, page 65(**Endorsed**)

It was

RESOLVED

That the Chief Financial Officer [Acting] provide information and report on action taken in respect of Government Debt and Credit Control at the next meeting of the Oversight Committee.

- 5.8 121 (3)(g): Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports
- (i) Qualified opinion **(Not Endorsed)**
 - (ii) Basis for qualification:
 - Property, plant and Equipment;
 - Investment properties;
 - Irregular expenditure;
 - Overtime**(Not Endorsed)**
 - (iii) Chaired by the Municipal Manager, the Control Transformation Steering Committee has been established to address issues of qualification **(Endorsed)**

It was

**RESOLVED TO RECOMMEND TO
THE FULL COUNCIL**

That the terms of reference for the Controls Transformation Steering Committee must deal with all issues relating to internal controls in order to achieve an unqualified audit opinion.

- 5.9 121 (4)(e): Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports of a Municipal Entity
- (i) Qualified opinion **(Not Endorsed)**
 - (ii) Basis for qualification:
 - Cash Collections and Donations **(Not Endorsed)**

It was

RESOLVED

That Safe City submit a report on action to be taken in respect of the qualification on Cash Collections and Donations to the Municipal Public Accounts Committee.

It was

AGREED

That the balance of the Checklist should be STOOD DOWN for continuation at the next meeting of the Oversight Committee and that the Manager: Office of the Municipal Manager should circulate to all members the correlation of page numbers to checklist items, prior to the meeting.

6. **DATE OF NEXT MEETING**

(Raised verbally)

It was

RESOLVED

That, as advertised, the next meeting of the Oversight Committee would take place on WEDNESDAY, 9 MARCH 2011 at 10:00 and that lunch be provided.

The meeting terminated at 13:45

Confirmed by

CHAIRPERSON

PIETERMARITZBURG

OTHER COMMITTEES\2011\OVERSIGHT\0302ovc1m

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN COUNCIL CHAMBER
ON **THURSDAY, 10 MARCH 2011** AT 10:15

PRESENT: Councillors M Inderjit (Chairperson), N Atwaru, NV Duze, F Mbatha, E Mzila, SJ Seymour and M Thebolla.

ABSENT: Councillors A Shelembe (political commitments), AS Sibisi (*no apology received*), RB Singh (indisposed), BS Ngubane (indisposed) and K Olivier (travelling to Western Cape).

**COMMUNITY
MEMBERS**

PRESENT: Mrs RFN Khoza and Mr ES Sithole.

**COMMUNITY
MEMBERS**

ABSENT: Mr B Mshengu (previous commitments which could not be rescheduled as a result of committee not meeting on the scheduled date).

OFFICIALS

PRESENT: Messrs T Maseko (Municipal Manager [Acting]), D Gengan (Executive: Economic Development and Planning [Acting]), R Mkhize (Executive: Council and Committee Support [Acting]), M Mthembu (Executive: Electricity Distribution [Acting]), I Chetty (Manager: Monitoring and Evaluation [Acting]) and R Ramharak (Economic Development and Planning Unit) and Mesdames D Reddy (Executive: Revenue Management [Acting]), M Jackson-Plaatjies (Manager: Office of the Municipal Manager) and A Geary (Committee Officer).

4) WELCOME AND APPLICATIONS FOR LEAVE FROM THE CURRENT MEETING OF THE OVERSIGHT COMMITTEE

(Raised verbally)

The Chairperson welcomed everyone to the meeting and apologised for the postponement of the previous day's scheduled meeting.

Leave applications were received from Councillors BS Ngubane (indisposed – eye operation), K Olivier (in Western Cape), RB Singh (indisposed), A Shelembe (political commitments) and Mr B Mshengu (other prior commitments).

Ms Khoza and Mr Sithole requested that they be released at 12:00 and Councillor Seymour advised that she had another appointment at 13:00.

It was

RESOLVED

That Councillors BS Ngubane, K Olivier, RB Singh and A Shelembe and Mr B Mshengu be granted leave of absence from the current meeting of the Oversight Committee.

(Councillor AS Sibisi was not present when the above decision was taken)

2. **CONFIRMATION OF MINUTES**

(i) Minutes of Oversight Committee meeting held on 22 February 2011.

(Page 1 of agenda)

(ii) Minutes of Oversight Committee meeting held on 24 February 2011.

(Page 5 of agenda)

(iii) Minutes of Oversight Committee meeting held on 2 March 2011.

It was

RESOLVED

That the minutes of the Oversight Committee meetings held on 22 February 2011, 24 February 2011 and 2 March 2011 be confirmed.

(Councillor AS Sibisi was not present when the above decision was taken)

3. **MATTERS ARISING**

(Raised verbally)

3.1 Report on the status of the Ward Committees (meeting of 22 February 2011)

The Chairperson advised that the request had been submitted to the Speaker's office and that a report would be made available at the next meeting.

3.2 Filling of vacancies in Audit Committee (meeting of 24 February 2011)

The Municipal Manager [Acting] undertook to submit a report to the next meeting.

3.3 Number of years Audit Committee members should serve (meeting of 24 February 2011)

The Chairperson advised that this information was being followed up by the office of the Municipal Manager and would be made available at the next meeting.

Councillor Seymour requested that consideration be given to Audit Committee members serving the same term of office as the Municipal Council.

3.4 Gas-to-energy project (meeting of 2 March 2011)

Dealt with under item 7.1 below.

3.5 Government Debt (meeting of 2 March 2011)

Dealt with under item 7.2 below.

4. **PRESENTATION BY HUMAN RESOURCE MANAGEMENT BUSINESS UNIT ON INFORMATION CONTAINED IN ANNUAL REPORT**

Committee was advised that the official responsible for this presentation was not available due to the rescheduling of the meeting and prior commitments.

NOTED.

5. **PRESENTATION BY ECONOMIC DEVELOPMENT AND PLANNING BUSINESS UNIT ON INFORMATION CONTAINED IN ANNUAL REPORT**

(Raised verbally)

The Executive: Economic Development and Planning [Acting] advised that several of the sections which had been housed under the then Economic Development and Growth Business Unit had since been relocated under the new structure. He then highlighted the following key areas and the related performance, viz.

- Freedom Square: Tourism Hub
- Market: Increased turnover
- Informal Trading Plan
- Edendale Development projects
- Township Regeneration
- Local Economic Development Strategy
- Poverty Alleviation Plan

He pointed out that the situation Business Units found themselves in was challenging because they were operating between structures, viz. the old structure had been abandoned and the new structure had not yet been adopted. He explained, however, that the current KPIs and KPAs were based on the new structure and business units would be measured on these, even though the structure was not yet finalised and the filling of new posts had not taken place. He anticipated that this would have an effect on the meeting of targets going forward. However, he assured committee that the new Economic Development and Planning Unit's KPIs for 2011 were in line with the new growth path of National Government and everything possible would be done to contribute to job creation.

Issues raised during discussion:

- Reallocation of funds from the BEE programme

The Executive: Economic Development and Planning [Acting] advised that reallocations were legal, provision for reallocations was made through the mid-year budget process as per the MFMA, and especially where under-performance was taking place and the funding could be better used elsewhere. He explained that in this instance the Business Unit had under-budgeted for the costs of the consultant, so the funds could not be utilised. He advised that the programme was subsequently being undertaken in-house.

- Storm water drainage at airport runway and extension of airport terminal

He advised that the problem of stormwater drainage had been sorted out by way of the Airport Management outsourcing the function by means of a tender. He advised that the resurfacing of the runway was currently underway. In respect of the terminal he advised that the terminal would have to be extended to meet capacity for the new, larger jets landing at the airport. He explained that consultants had been appointed, the Master Plan was being reviewed and it would most likely entail relocating those organisations leasing current adjacent premises.

- Specifics on job creation plans

He explained that the job creation within the unit was related to community-based projects in co-operation with the Department of Agriculture. He advised that all Business Units had been requested to indicate how many jobs had been created, whether temporary or permanent or through the Expanded Public Works Programme or other programmes, and that this data would be collected for research and assessment purposes.

- Service Level Agreements for Market and Airport

The Executive: Economic Development and Planning [Acting] explained that, in line with a Council resolution, the airport finances had been ring fenced in preparation to concession the Airport. However, this process was on hold as the Province had made capital funding available to upgrade the airport and the Master Plan was awaited, with recommendations from the Development Bank of Southern Africa for the best way to move forward on the matter. In respect of the Market, he advised that only one privatised Market existed in the country and indications as to its success were not clear at this stage. He explained that, as a result of National regulations, the municipality only received 5% of sales made by agents, while agents received 7.5% and paid no rental for the area utilised on the Market floor. He advised that the Provincial Intervention Team were looking at the options for the future of the Market.

- Land disposal and Action taken in respect of vacancies in the unit

He advised that the moratorium on land sales under the previous Executive Committee had been lifted by the Provincial Intervention Team and municipal land was being sold in accordance with the terms of the Municipal Finance Management Act. In respect of the vacancies in this section, he advised that new posts had been created but could not be filled until the new structure had been finalised by Council. He reiterated that this anomaly would affect service delivery.

NOTED.

6. PRESENTATION BY COUNCIL AND COMMITTEE SUPPORT BUSINESS UNIT ON INFORMATION CONTAINED IN ANNUAL REPORT

Presentation by Executive: Council and Committee Support [Acting].

(Raised verbally)

The Executive: Council and Committee Support [Acting] outlined the areas under the jurisdiction of the Council and Committee Support business unit. In respect of the key areas for this function reflected in the Annual Report, he advised that many of the targets had not been achieved or only partially achieved due to a lack of funds. In respect of the Auditor-General's concerns regarding the lack of a Performance Management System (PMS), he advised that they now had a dedicated unit to address the Performance Management issue using the Service Delivery Budget Implementation Plan,

monitoring, research and data collection. He explained that this method would be used until a fully fledged PMS was put in place.

Issues raised during discussion:

- Financial constraints

The Executive: Council and Committee Support [Acting] explained that the financial constraints to which he had referred related to the cash flow problems and placing of the municipality under administration. Mr Sithole was not satisfied with this response and stated that the financial problems had not suddenly occurred and were evident for several months before the municipality was placed under administration. He further stated that the municipality should have used the Adjustment Budget to adjust and align its targets with its available income. The Manager: Office of the Municipal Manager supported Mr Sithole's comments and advised that although this should have been done, it was not and because the Performance Management System was not in place, these issues were not identified for action. She advised that although the Adjustment Budget was eventually approved during the term of the previous Administrator, National Treasury had not approved it and had requested changes, which would be coming back to the Council for adoption.

The Manager: Office of the Municipal Manager further advised that, for the current financial year, following the approval of the adjustment budget, the targets established in the Service Delivery and budget Implementation would be revised to reflect the adjustment budget. In response, Mr Sithole expressed his regret that it appeared as if the municipality had failed, which could have been avoided had it simply adhered to the basics in terms of legislation.

7. REVIEW OF ANNUAL CHECKLIST

Annual Report Checklist.

(Updated copy tabled at the meeting)

7.1 UPDATE REGARDING GAS-TO-ENERGY PROJECT AT LANDFILL SITE (17.1.2.1)

Report dated 10 March 2011 by Executive: Electricity Distribution [Acting].

(Tabled at the meeting)

The Executive: Electricity Distribution [Acting] apologized for the late submission of the report. He explained that the Agreement with ENER-G Systems (PTY) Ltd had been received for signature and advised that the agreement did not really deal with how the energy would be utilized. He advised that, in terms of the National Government's decision that Eskom would be the single buyer office for renewable energy; ENER-G Systems would sell the electricity generated from the project to Eskom, who would in turn sell it to the Municipality at the same rate as charged for all other electricity purchased from Eskom. He emphasized that the agreement was between Eskom and the service provider and that the Municipality's only benefit would be the carbon credits gained from the project. He advised that at this stage there was no cost or financial benefit to Council. In response to queries, he advised that because the municipality was not involved in the agreement, it was unlikely that there would be any significant job creation as a result of the project, nor would there be the benefit of cheaper electricity for the surrounding indigent population. He was unable to advise who would apply for the carbon credits or what their value would be at this stage. However, he cautioned that there

would be future costs for buildings and infrastructure and maintenance related to the project, which would be for Council's account.

Concerns were expressed that the Council had not been properly informed about these matters when the project was introduced and, following discussion, it was

**RESOLVED TO RECOMMEND TO
THE FULL COUNCIL**

That the Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting] submit a report to the Infrastructure Services Portfolio Committee detailing the background to the gas-to-energy project; the financial costs of this project, both short and long term, to the Municipality and the benefits of this project, financial and otherwise, to the Municipality, Eskom and the service provider; with a view to the Council reviewing the financial feasibility of this project.

(Councillor AS Sibisi was not present when the above decision was taken)

7.2 GOVERNMENT DEBT AND CREDIT CONTROL (3.7.1[2010/2011])

Report dated 7 March 2011 by Executive: Revenue Management [Acting].

(Tabled at the meeting)

The Executive: Revenue Management [Acting] apologised for the late submission of the report. She advised that various meetings had taken place with Government Departments and that the arrear government debt was being gradually reduced. She explained that the majority of the arrear debt related to rates queries and a situation where Government departments were in disagreement over ownership of the properties. She advised that, in order to address this and due to the critical staff shortage in the Credit Control Section, Provincial Treasury had undertaken to allocate five staff members to assist in the verification of these properties, until 30 June 2011.

In respect of Credit Control, she advised of *proposed* changes in the manner in which defaulters were dealt with, including warning the public via the media and councillors of impending disconnection drives and urging them to pay or make arrangements at the credit control offices in order to avoid being handed over and incurring legal fees. She advised that the contract with the consortia had expired and that a panel of attorneys would be established to deal with the legal issues. She further advised that consideration was being given to reducing the number of daily disconnections in order to first cross check whether payments had been received in the interim. In response to possible legalities arising from the involvement of councillors, she advised that the councillors' involvement would only be as a method of communication with the community, not involvement in the process of credit control or debt collection. In response to a query, she acknowledged that the Credit Control Policy was being reviewed and would include the issues alluded to.

NOTED.

(Mrs Khoza left the meeting at 12:00)

In view of the impending lack of a quorum, it was

RESOLVED

That consideration of the Annual Checklist be DEFERRED until the next meeting, with the understanding that members would familiarise themselves with the sections and comments reflected in the tabled checklist and come prepared with questions, comments and input to the next meeting.

(Councillor AS Sibisi was not present when the above decision was taken)

8. PUBLIC COMMENT RECEIVED ON ANNUAL REPORT

(Raised verbally)

The Manager: Office of the Municipal Manager advised that, although the advertisement had called for comment and provided contact details and means for the public to submit their comments, no comments had been received.

NOTED.

9. DATE OF NEXT MEETING

(Raised verbally)

It was

RESOLVED

That the next meeting of the Oversight Committee would take place on **WEDNESDAY, 16 MARCH 2011** at **09:00** and that the outstanding presentations by Business Units be STOOD DOWN so that the committee could concentrate its efforts on completing the Annual Checklist, and that lunch be provided.

(Councillor AS Sibisi was not present when the above decision was taken)

The meeting terminated at 12:15

Confirmed by

CHAIRPERSON

PIETERMARITZBURG

OTHER COMMITTEES\2011\OVERSIGHT\0309ovc1m

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN COUNCIL CHAMBER
ON **WEDNESDAY, 16 MARCH 2011** AT 09:00

PRESENT: Councillors M Inderjit (Chairperson), N Atwaru, F Mbatha, E Mzila, SJ Seymour, A Shelembe, RB Singh and M Thebolla.

ABSENT: Councillors NV Duze (District Council commitments), AS Sibisi (*no apology received*), BS Ngubane (*late application received after the meeting – doctor's appointment*) and K Olivier (travelling to Western Cape – leave granted on 2 March 2011).

COMMUNITY MEMBERS

PRESENT: Mrs RFN Khoza, Mr ES Sithole and B Mshengu.

OFFICIALS

PRESENT: Messrs T Maseko (Municipal Manager [Acting]), I Chetty (Manager: Monitoring and Evaluation [Acting]) and Mesdames M Jackson-Plaatjies (Manager: Office of the Municipal Manager) and A Geary (Committee Officer).

5) **WELCOME AND APPLICATIONS FOR LEAVE FROM THE CURRENT MEETING OF THE OVERSIGHT COMMITTEE**

(Raised verbally)

The Chairperson welcomed everyone to the meeting.

A verbal leave application was received from Councillor NV Duze, who had District Council commitments. It was noted that Councillor K Olivier had applied for leave on 2 March 2011 as he was in the Western Cape.

NOTE BY COMMITTEE OFFICER: *An application for leave from Councillor BS Ngubane was received after the meeting. Committee to ratify at next meeting.*

It was

RESOLVED

That Councillors NV Duze and K Olivier be granted leave of absence from the current meeting of the Oversight Committee.

(Councillors AS Sibisi and BS Ngubane were not present when the above decision was taken)

2. **CONFIRMATION OF MINUTES**

Minutes of Oversight Committee meeting held on 9 March 2011.

(Page 1 of agenda)

It was

RESOLVED

That the minutes of the Oversight Committee meetings held on 9 March 2011 be confirmed.

(Councillors AS Sibisi and BS Ngubane were not present when the above decision was taken)

3. REVIEW OF ANNUAL CHECKLIST

Updated Annual Report Checklist.

(Page 8 of agenda)

Balance of Annual Report Checklist

(Tabled at the meeting)

Email dated 14 March 2011 from Mr P Warmington (Safe City)

(Tabled at the meeting)

The Manager: Office of the Municipal Manager read out the response from Safe City in respect of the action to be taken regarding the issue of donation income which had led to qualification by the Auditors.

NOTED.

Financial Matters – Annual Financial Statements - Section 121 (3) MFMA

3.1 121 (3)(f): An assessment of the municipality's performance against measurable performance objectives for revenue collection

Refer to page 93 (includes explanation for variances greater than 10%) **(Endorsed)**

3.2 121 (3)(i)(k): Not applicable

3.3 121 (4)(d): An assessment of the municipal entity's performance against any measurable performance objectives

- (i) Performance information is included on pages 107-111 of the Annual Report **(Endorsed)**
- (ii) With respect to the secondary function listed on page 107, viz. monitoring of bylaws, it should be noted that the monitoring and implementation of bylaws is primarily a municipal function and that the entity only assists by reporting any problems identified in the course of business, to which the municipality is required to react.

3.4 121 (3)(i)(k): Not applicable

3.5 121 (4)(g)(h): Not applicable

3.6 121 (3)(j) and 121 (4)(g): Recommendations of the Audit Committee in relation to the AFS and audit reports of the municipality and its entities

Confirmed by Chief Financial Officer [Acting] that prior to submission of the AFS to the Auditor General, the Audit Committee requested changes to be made. Reference to this is also included in Report of the Audit Committee, page 134 (last paragraph). **(Endorsed)**

Disclosures - Allocations received and made - Section 123-125 MFMA

3.7 123 (1)(a): Allocations received by and made to the municipality

Reflected on pages 96-101 of the Annual Report **(Endorsed)**

3.8 123 (1)(b): Allocations received by and made to the municipal entity

Reflected on the following pages, viz. Page 106 (Business fighting Crime-R10 000 and Hulamin-R50 000) and Page 124 of the Annual Report (Msunduzi Municipality- R3 million). **(Endorsed)**

3.9 123 (1): Information in relation to outstanding debtors and creditors of the municipality and entities

Statutory commitments reflected in note 39, page 67 and Government Debt reflected on page 43. **(Endorsed)**

3.10 123 (1)(c): Information in relation to the use of allocations received

- (i) Reflected on pages 96-101 **(Endorsed)**
- (ii) In explanation of why conditional grants were not spent, it be noted that these grants were not cash-backed and most grants had to be frozen in order for the municipality's cash flow problems to be addressed and the books balanced. Of particular note were the following:
 - MIG (R24 million) - was not cash-backed which delayed expenditure
 - PHB (R43 million) - delayed by planning and land acquisition challenges
 - Electricity Demand Side Management (R10.9 million) - stopped mid-year by National Department due to difference of opinion on whether the funding could be used for the budgeted purpose
 - DOT (R20 million) - for integrated transport plan – delay due to parallel study conducted by Province and District which requires Council approval as the responsible agent.

Disclosures in notes to AFS

3.11 Information relating to benefits paid by municipality and entity to councillors, directors and officials

Salaries are reflected in notes 28 and 29, page 63 and Arrears by Councillors on page 68. **(Endorsed)**

It was

RESOLVED

That the Municipal Manager [Acting] provide to the next meeting of the Oversight Committee an update on how much of the Councillors' debt has been collected to date.

Municipal Performance

3.12 The annual performance reports of the municipality and entities

- (i) Performance Report on pages 145-190. **(Endorsed)**
- (ii) Safe City Report on performance on pages 107-110. **(Endorsed)**

3.13 Audit reports on performance

No indication in the performance report of actions in response to the Audit on performance information.
(Not Endorsed)

3.14 Performance of municipal entities and municipal service providers

Not included in Annual Report. **(Not Endorsed)**

- 3.15 For municipal entities – an assessment of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality**

No Service Level Agreement included in Annual Report. **(Not Endorsed)**

It was

RESOLVED TO RECOMMEND TO THE FULL COUNCIL

That in future all service providers and municipal entities must have Service Level Agreements with the Municipality so that performance assessments can be done and reported in the Annual Financial Statements.

(The meeting adjourned for tea at 10:00 and reconvened at 10:15)

General information

3.16 Relevant information on municipal entities: Not applicable

3.17 The use of any donor funding support

- (i) Disclosed on Pages 96-101: **(Endorsed)**
- (ii) Concerns were raised regarding the lack of a clear indication of whether the donor/grant funding was effectively used to improve services to the community, the cost of donor/grant funding to the Council in the long term and the lack of a clear explanation in the Annual Financial Statements with respect to the reasons for unspent grant funding.

It was

RESOLVED TO RECOMMEND TO THE FULL COUNCIL

That in future the Municipal Manager [Acting], in consultation with the Strategic Executives, must provide spending plans and, where appropriate, maintenance plans for the use of all donor/grant funding received.

3.18 Agreements, contracts and projects under Private-Public-Partnerships: Not applicable

3.19 Service delivery performance on key services provided

No high-level/ Executive Summary contained in Annual Report. **(Not Endorsed)**

3.20 Information on long-term contracts

Information contained in Appendix B, Page 83. **(Endorsed)**

3.21 Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations

- (i) Reflected on Pages 210-212. **(Not Endorsed)**
- (ii) Concerns were expressed regarding the qualification received for wasteful expenditure on a system which was purchased but not utilised. In response, the Municipal Manager [Acting] advised that the matter would be revisited once the new financial system to be purchased was assessed in terms of whether the time and attendance issue could be integrated in the new system.

3.22 Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework

- (i) MIG report on page 267-268. **(Not Endorsed)**
- (ii) Concern was expressed that the information did not reflect the scale of infrastructure backlogs by which the municipality could assess how effective its projects were.

It was

RESOLVED TO RECOMMEND TO THE FULL COUNCIL

That in future the Municipal Infrastructure Grant information in the Annual Report must include information on the scale of the infrastructure backlogs, in order for the municipality to assess the effectiveness of its infrastructure projects and programmes.

Other considerations recommended

3.23 Timing of reports

- (i) The Annual Report was tabled in Full Council on Wednesday, 26 January 2011 and a schedule prepared for the Oversight Process. **(Endorsed)**
- (ii) Committee commended the Manager: Office of the Municipal Manager and relevant officials for the efficiency of the process put in place.

3.24 Oversight committee or other mechanism

Oversight Committee established by Council (end Feb 2011), Technical Support Team put in place and Oversight Report will be presented to Council for adoption end of March 2011. **(Endorsed)**

- 3.25 Payment of performance bonuses to municipal officials: Not applicable due to Provincial intervention and suspension of senior officials.

(Councillors AS Sibisi and BS Ngubane were not present when the above decision was taken)

4. **RECOMMENDATIONS FOR OVERSIGHT REPORT**

(Raised verbally)

It was

RESOLVED

That the Manager: Office of the Municipal Manager prepare a draft Oversight Report summarising the work and recommendations of the Oversight Committee and submit the draft to members for consideration by Tuesday, 22 March 2011.

9. **DATE OF NEXT MEETING**

(Raised verbally)

It was

RESOLVED

That the next meeting of the Oversight Committee would take place on **THURSDAY, 24 MARCH 2011** at **09:00** for finalisation of the draft Oversight Report to be provided by the Manager: Office of the Municipal Manager.

(Councillors AS Sibisi and BS Ngubane were not present when the above decision was taken)

The meeting terminated at 10:45

Confirmed by

CHAIRPERSON

PIETERMARITZBURG

OTHER COMMITTEES\2011\OVERSIGHT\0316ovc1m

Annexure 'L'

MSUNDUZI MUNICIPALITY



MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN COMMITTEE ROOM N^o 3
ON **FRIDAY, 25 MARCH 2011** AT 14:00

PRESENT: Councillors M Inderjit (Chairperson), N Atwaru, F Mbatha, K Olivier, AS Sibisi and M Thebolla.

ABSENT: Councillors NV Duze (work commitments), E Mzila (*no leave application received*), BS Ngubane (*indisposed*), SJ Seymour (*indisposed*), A Shelembe (*political commitments*), RB Singh (*no leave application received*).

COMMUNITY MEMBERS

PRESENT: Mrs RFN Khoza and Mr B Mshengu.

COMMUNITY MEMBERS

ABSENT: Mr ES Sithole.

OFFICIALS

PRESENT: Mr W Cooper (Portfolio Committee Representative) and Mesdames M Jackson-Plaatjies (Manager: Office of the Municipal Manager) and A Geary (Committee Officer).

6) **WELCOME AND APPLICATIONS FOR LEAVE FROM THE CURRENT MEETING OF THE OVERSIGHT COMMITTEE**

(Raised verbally)

The Chairperson welcomed everyone to the meeting.

Verbal leave applications were received for Councillors NV Duze (at work), BS Ngubane (indisposed), SJ Seymour (indisposed) and A Shelembe (political commitments).

Committee was advised that Mr Sithole would arrive late.

It was

RESOLVED

That Councillors NV Duze, BS Ngubane, SJ Seymour and A Shelembe be granted leave of absence from the current meeting of the Oversight Committee.

(Councillors E Mzila and RB Singh were not present when the above decision was taken)

2. **CONFIRMATION OF MINUTES**

Minutes of Oversight Committee meeting held on 16 March 2011.

(Page 1 of agenda)

It was

RESOLVED

That the minutes of the Oversight Committee meetings held on 16 March 2011 be confirmed.

(Councillors E Mzila and RB Singh were not present when the above decision was taken)

3. **MATTER ARISING**

(Raised verbally)

Councillor K Olivier requested that it be recorded that the information in respect of the current status of councillors' debt had not been made available to the meeting, as requested.

4. **OVERSIGHT REPORT TO THE FULL COUNCIL**

Draft report dated March 2011 by Chairperson: Oversight Committee.

(Page 7 of agenda)

The Manager: Office of the Municipal Manager advised that she had made some amendments to the report subsequent to it being printed. She then presented each of the recommendations.

It was

RESOLVED

That the recommendations contained in the draft Oversight Report as presented by the Manager: Office of the Municipal Manager be approved for submission to the Full Council, subject to the following amendments, viz.

- Recommendation 13.2(c) be *removed* as it had been adequately addressed by Safe City.
- Recommendation 13.4 be *added* as it was a legislative requirement.
- Recommendation 13.7 be *amended* to read as follows, viz. *"That in future all service providers and municipal entities must have Service level Agreements with the Municipality so that regular performance assessments can be done and the relevant action can be taken by the Administration and thereafter reported on in the Annual Financial Statements."*
- Recommendation 13.11 be *amended* by the removal of the word "Acting" after "Municipal Manager".
- Recommendation 13.13 be *added* together with the table outlining progress on these matters highlighted in the previous Oversight report.
- That the table related to recommendation 13.13 be *amended* by the replacement of the sentence in respect of Zulu documentation with the following, viz. *"Committee maintains that an electronic copy in Zulu must be made available."*

It was thereafter

**RESOLVED TO RECOMMEND TO
THE FULL COUNCIL**

- (a) That the Council, having considered the 2009/2010 Annual Report of the Msunduzi Municipality, as tabled on 26th January 2011, adopts the Oversight Report, in terms of Section 129 of the Municipal Finance Management Act (MFMA).
- (b) That the 2009/2010 Annual Report of the Msunduzi Municipality and its Municipal Entity, be **Approved - With Reservations**, in terms of Section 129 of the Municipal Finance Management Act (MFMA). **Reservations noted:**
- H. Standards in terms of GRAP 16 (Investment Property) and GRAP 17 (Property, Plant and Equipment) have not been met;
 - I. The municipality received a qualified audit opinion for the financial year ending June 2010;
 - J. The Annual Performance Report does not include a report on actions implemented in response to the Audit on Performance Information from the previous financial year;
 - K. The Annual Report does not include an assessment of the performance of the Municipal Entity and all contracted service providers;
 - L. The Annual Report does not include any reference to/ indication of any existing Service Level Agreements with the Municipal Entity;
 - M. Qualification received for wasteful expenditure on an Information Technology system that was purchased but not utilized;
 - N. The report on the Municipal Infrastructure Grant (MIG) does not reflect infrastructure backlogs.
- (c) That the minutes of the meetings where the Annual Report was discussed be submitted to:
- the Auditor-General;
 - MEC: Department of Cooperative Governance and Traditional Affairs; and,
 - MEC: Provincial Treasury,
- as attached to the report, in terms of Section 129 (2) of the MFMA.
- (d) That the 2009/ 2010 Oversight report of the Msunduzi Municipality be made public in terms of Section 129 (3) of the Municipal Finance Management Act, and be submitted to the KwaZulu Natal Provincial Legislature in terms of Section 132(2) of the Municipal Finance Management Act.
- (e) The implementation plan to deal with the response to the Auditor General must be submitted to the Municipal Public Accounts Committee and monitored on an ongoing basis.
- (f) The Terms of Reference for the Controls Transformation Steering Committee must include all issues relating to internal controls in order to achieve an unqualified audit opinion.
- (g) That in future all service providers and municipal entities must have Service level Agreements with the Municipality so that regular performance assessments can be done in order for any relevant action to be taken by the Administration and must be reported on in the Annual Financial Statements.
- (h) That the loss of critical technical staff and the need for urgent action be noted with concern.

- (i) That as a matter of priority the Administrator, in consultation with the Provincial Intervention Team and relevant officials, (i) revisit the policy on scarce skills and the retention of technical staff and (ii) develop a strategy for the urgent filling of critical, vacant technical posts in the municipality and submit a report thereon to the Executive Committee.
- (j) That the Strategic Executive: Infrastructure Development, Service Delivery and Maintenance Management [Acting] submit a report to the Infrastructure Services Portfolio Committee detailing the background to the gas-to-energy project; the financial costs of this project, both short and long term, to the Municipality and the benefits of this project, financial and otherwise, to the Municipality, Eskom and the service provider; with a view to the Council reviewing the financial feasibility of this project.
- (k) That in future the Municipal Manager, in consultation with the Strategic Executives, must provide spending plans and, where appropriate, maintenance plans for the use of all donor/grant funding received.
- (l) That in future the Municipal Infrastructure Grant information in the Annual Report must include information on the scale of the infrastructure backlogs, in order for the municipality to assess the effectiveness of its infrastructure projects and programmes.
- (m) The following unresolved recommendations from the 2008/ 2009 Oversight Report be carried forward to the current Oversight Report and that the Municipal Manager submits a comprehensive report to the Municipal Public Accounts Committee (MPAC), outlining mechanisms that have been put in place to address these issues:
 - There is no proper report on the municipality's performance management system as is required by Section 46 of the MSA as well as Section 121 (3)(c) & (f) of the MFMA.
 - The lack of a performance audit made it difficult for the committee to carry out its responsibilities.
 - That due to the absence of the audited performance, the committee was not in a position to question service delivery or backlogs in certain budget targets as set out in the implementation plan of business units Service Delivery and Budget Implementation Plans (SDBIP).
 - That the corrective measures outlined in management's responses to the Auditor-General's management letter, the Action Plan of the Controls Transformation Steering Committee (CSTC), and the Audit Committee be implemented.
 - That the 2008/2009 Oversight Report of the Msunduzi Municipality and its Municipal Entity be made public in terms of Section 129 (3) of the Municipal Finance Management Act (MFMA); and be submitted to the KwaZulu Natal (KZN) Provincial Legislature in terms of Section 132 (2) of the Municipal Finance Management Act (MFMA).
 - That, in future, an electronic version of the Annual Report is available in Zulu.

(Councillors E Mzila and RB Singh were not present when the above decision was taken)

5. OVERSIGHT COMMITTEE: OUTSTANDING MATTERS AS AT MARCH 2011

Report dated 18 March 2011 by Council and Committee Support Unit.

(Page 76 of agenda)

It was

RESOLVED

That the outstanding matters as reflected in the report dated 18 March by Council and Committee Support Unit be referred to the Municipal Public Accounts Committee, with the exception of items 2.2(a) and 3.2, which had been adequately addressed by the responses from the relevant roleplayers.

(Councillors E Mzila and RB Singh were not present when the above decision was taken)

The meeting terminated at 14:55

Confirmed by

CHAIRPERSON

PIETERMARITZBURG

OTHER COMMITTEES\2011\OVERSIGHT\0325ovc1m

Annexure 'M'

THE MSUNDUZI MUNICIPALITY
REPORT BY
EXECUTIVE REVENUE MANAGEMENT (ACTING)
TO
THE OVERSIGHT COMMITTEE

07 MARCH 2011

GOVERNMENT DEBT AND CREDIT CONTROL

1. PURPOSE OF REPORT

To report to the committee on government debt and credit control.

2. BACKGROUND

The government debt situation and credit control has been a pressing issue for the Revenue Management Section constantly. These two aspects of Revenue Management have always been one of our most difficult challenges however the situation in respect of the government debt has improved substantially.

Due to lack of human resource, the ability of the Credit Control Section is limited. Our current debt collection levels are seriously hampered as a result of human resource constraints. Further, another important factor that should be borne in mind is the consortia aspect. The contract with the consortia has officially ended; therefore the Credit Control Section will have to be expanded to deal with the additional workload. Vulindlela debt is also a major consideration since this adds to the additional capacity within Credit Control. All Vulindlela debt will be taken over by the municipality from 1 July 2011

3. SITUATION ANALYSIS

Our total arrear government debt is currently R98 179 032. Of the R98 million, the Department of Public Works owes approximately R28 million of which R20 million will be paid by 15 March 2011. The Department of Education has undertaken to make payment on their arrear debt during the course of March 2011 as well.


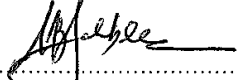
Further to the above, the Msunduzi Municipality has had numerous meetings with Provincial Treasury whom have been aiding us with collecting the arrear government debt. At our last meeting we raised our limitations on working with the verification of government debt. Our basic limitation is lack of human resources. Provincial Treasury have undertaken to allocate five staff members to the municipality to aid with the verification process up until 30 June 2011. Once the verification process is complete, government departments won't have any excuse not to pay the outstanding arrear amounts relating to their department. Currently, there is a huge discrepancy as to what properties belong to which department which hampers our collection efforts drastically since the departments refuse to take ownership unless the municipality can prove ownership.

Government debt going forward will definitely be under control and collection levels will improve drastically once the verification process is complete.

Going forward in respect of the Credit Control Section, all processes and work flows have been reviewed to deal with the additional workload of the consortia and Vulindlela. A report has been submitted to the Municipal Manager (Acting) to address the human resource limitations. The Revenue Management Section is currently underway in implementing the new processes and workflows. Further to the above, all legal matters going forward will be referred to the Legal Section who will have a panel of attorneys allocated to them.

4. WAY FORWARD

The only way forward to enhance revenue collection and improve efficiency in respect of the government debt and credit control is to employ additional human resources within the section.

<div>GENERATOR OF THE REPORT</div> <div></div> <div>.....</div> <div>Executive: Revenue Management (Acting)</div>	<div>RECOMMENDED</div> <div></div> <div>.....</div> <div>Chief Financial Officer (Acting)</div>
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Annexure 'N'

From: Jason Herbert [\[mailto:jason@safecity.co.za\]](mailto:jason@safecity.co.za)
Sent: 07 March 2011 12:32 PM
To: SC Peter Warmington; Anne Geary
Cc: Madeleine Jackson
Subject: Re: Request for report by Oversight Committee
Dear Anne

The response from our Auditors, Deloitte and Touche is that this is "Standard practice in terms of donation income;" accordingly "the qualification will always be there" . . . when any donations may be anticipated. Virtually all non-profit entities receive this qualification. I have however, agreed with the Audit partner of Deloitte that we will from henceforth direct ALL donations or contributions through Business Fighting Crime which is administered by the Pietermaritzburg Chamber of Business. Thereafter contributions from any Donors (including Business) specifically for Safe City will be transferred by EFT to us which will permit the withdrawal of this qualification in future Annual Financial Statements. I hope this satisfies the oversight committee.

Regards

Peter Warmington
033 347 0220

Annexure 'O'

ANNUAL REPORT CHECKLIST

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS
1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA	Financial reporting matters to be considered	Responses/Comments
121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General	Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the new accounting standards for municipalities. Have the required standards been met – refer audit report and report of audit committee for views on this?	<ol style="list-style-type: none"> 1. AFS contained in pages 13-103 of the Annual Report <i>(Endorsed by Committee)</i> 2. AFS were submitted within the legislative timeframe <i>(Endorsed by Committee)</i> 3. All standards have been met except: <ul style="list-style-type: none"> ▪ GRAP 16- Investment Property; GRAP 17- Property, plant and equipment. <i>(Not Endorsed by Committee)</i> 4. Qualified Opinion- <i>(Not Endorsed by Committee)</i>
121 (3)(a)	The above applies also to the AFS of municipal entities.	<ol style="list-style-type: none"> 1. Safe City AFS contained on pages 104-124 of Annual Report <i>(Endorsed by Committee)</i> 2. All standards have been met except: <ul style="list-style-type: none"> ○ Cash Collections and Donations <i>(Not Endorsed by Committee)</i> 3. Qualified opinion <i>(Not Endorsed by Committee)</i>
121 (3)(b) The Auditor-General's reports on the financial statements of the municipality.	Is the audit report included in the annual report as tabled? If not, when will the audit report be tabled? What are causes of the delays? What actions are being taken to expedite the report?	<ol style="list-style-type: none"> 1. Audit report included on pages 125-132 of the Annual Report <i>(Endorsed by Committee)</i>
121 (4)(b)	The above applies also to the AFS of municipal entities.	<ol style="list-style-type: none"> 1. Audit Report by independent Auditors included on pages 113-114 of Annual Report <i>(Endorsed by Committee)</i>
121 (3)(h) Any explanations that	The accounting standards require that notes accompany the statements to provide	<ol style="list-style-type: none"> 1. Notes contained on pages 41-79 of Annual Report

may be necessary to clarify issues in connection with the financial statements	<p>explanations of issues and matters reported. Refer also points below on information in notes to AFS.</p> <p>Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?</p>	<p><i>(Endorsed by Committee)</i></p> <ul style="list-style-type: none"> ○ Reservations with reference to basis for qualification ○ Implementation plan must be submitted to the MPAC and monitored ongoing.
121 (4)	The above applies also to the AFS of municipal entities.	As above, notes are for the consolidated statements.
121 (3)(e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities	<p>Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? Is any other action required to be taken?</p>	<p>1. Impairment of debtors is included in the AFS as follows:</p> <ul style="list-style-type: none"> ○ Note 5, page 41; ○ Page 43- reconciliation of debt impairment provision; ○ Note 33, page 65 <p><i>(Endorsed by Committee)</i></p>
121 (4)(c)	The above applies also to the AFS of municipal entities.	N/A
1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA	Financial reporting matters to be considered	Responses/Comments
121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	<p>The conclusions of the annual audit may be either –</p> <ul style="list-style-type: none"> ▪ an unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; ▪ a qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or ▪ the auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed. ▪ Adverse opinion; indicating that a Municipality's financial statements are misrepresented, misstated, and do not accurately reflect its financial performance and health. <p>The objective of the municipality should be to achieve an unqualified audit opinion.</p> <p>Taking into account the audit report, audit opinion and the views of the audit committee, council should consider:</p> <ul style="list-style-type: none"> ▪ To what extent does the report indicate serious or minor financial issues? ▪ To what extent are the same issues repeated from previous audits? ▪ Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? ▪ Has a schedule of action to be taken been included in the annual report, with appropriate due dates? <p>Note that actions taken on audit issues are to be</p>	<p>1. Qualified opinion <i>(Not Endorsed by Committee)</i></p> <p>2. Basis for qualification:</p> <ul style="list-style-type: none"> ▪ Property, plant and Equipment; ▪ Investment properties; ▪ Irregular expenditure; ▪ Overtime <p><i>(Not Endorsed by Committee)</i></p> <p>3. Chaired by the Municipal Manager, the Control Transformation Steering Committee has been established to address issues of qualification <i>(Endorsed by Committee)</i></p> <ul style="list-style-type: none"> ▪ In addition, terms of reference for the CTSC must deal with all issues relating to internal controls in order to achieve an unqualified audit opinion.

	reported to the provincial legislature, the MECs for local government and finance to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MECs.	
121 (4)(e)	The above applies also to the AFS of municipal entities.	1. Qualified opinion <i>(Not Endorsed by Committee)</i> 2. Basis for qualification: ○ Cash Collections and Donations <i>(Not Endorsed by Committee)</i>
121 (3)(f) An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget	The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s17(3)(b)). The accounting officer must include these objectives in the annual report and report on performance accordingly. Has the performance met the expectations of council and the community? Have the objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget? Council should comment and draw conclusions on performance and explanations provided.	1. Refer page 93 (includes explanation for variances greater than 10%) <i>(Endorsed by Committee)</i>
121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality	Review any other information that has been included in regard to the AFS.	1. N/A
1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA	Financial reporting matters to be considered	Responses/Comments
121 (4)(d) An assessment by the municipal entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and the municipality	Agreements between the municipality and its entities for service delivery are to include measurable performance objectives. This will include measures of services delivered to the community, financial targets, expenditure targets etc. The entity's annual report must include an assessment by the accounting officer, of performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the performance of entities. Has the performance met the expectations of council and the community? Have the performance objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget? Council should comment and draw conclusions on performance and explanations provided.	1. Performance information is included on pages 107-111 of the Annual Report <i>(Endorsed by Committee)</i>

121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality	Review any other information that has been included in regard to the AFS.	○ N/A
121 (4)(g)(h)	The above applies also to the AFS of municipal entities.	N/A
121 (3)(j) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities	Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations? Conclusions on these recommendations and the actions required should be incorporated in the oversight report.	1. Prior to submission of the AFS to the Auditor General, the Audit Committee requested changes to be made. Also included in Report of the Audit Committee, page 134 (last paragraph) <i>(Endorsed by Committee)</i>

2. Disclosures - Allocations received and made - Section 123-125 MFMA	Considerations	Responses/Comments
123 (1)(a) Allocations received by and made to the municipality	<p>The report should disclose:</p> <ul style="list-style-type: none"> ▪ Details of allocations received from another organ of state in the national or provincial sphere. ▪ Details of allocations received from a municipal, entity or another municipality. ▪ Details of allocations made to any other organ of state, another municipality or a municipal entity. ▪ Any other allocation made to the municipality under Section 214(1)(c) of the Constitution. <p>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action? Council should comment and draw conclusions on information and explanations provided.</p>	1. Reflected on pages 96-101 of the Annual Report <i>(Endorsed by Committee)</i>
123 (1)(b) Allocations received by and made to the municipal entity	<p>The report should disclose:</p> <ul style="list-style-type: none"> ▪ Details of allocations received from any municipality or other organ of state. ▪ Details of any allocations made to a municipality or other organ of state. ▪ Other information as may be prescribed. <p>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action? Council should</p>	1. Reflected on pages: <ul style="list-style-type: none"> ▪ 106 (Business fighting Crime-R10 000 & Hulamin- R50 000) ▪ 124 of the Annual Report (Msunduzi Municipality- 3 million) <i>(Endorsed by Committee)</i>

	comment and draw conclusions on information and explanations provided.	
121 (1) Information in relation to outstanding debtors and creditors of the municipality and entities	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> ▪ the information has been properly disclosed; ▪ conditions of allocations have been met; and ▪ also that any explanations provided are acceptable. <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	<ol style="list-style-type: none"> 1. Statutory commitments reflected in note 39, page 67 2. Government Debt reflected on page 43. <p><i>(Endorsed by Committee)</i></p>
2. Disclosures - Allocations received and made - Section 123-125 MFMA	Considerations	Responses/Comments
123 (1)(c) Information in relation to the use of allocations received	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ul style="list-style-type: none"> ▪ The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. ▪ Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided. ▪ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this. <p>This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation.</p> <p>The Auditor-General will ensure that the audit process includes a proper assessment (and</p>	<ol style="list-style-type: none"> 1. Reflected on pages 96-101 <i>(Endorsed by Committee)</i> 2. In explanation of why conditional grants were not spent, it be noted that these grants were not cash-backed and most grants had to be frozen in order for the municipality's cash flow problems to be addressed and the books balanced. Of particular note were the following: <ul style="list-style-type: none"> • MIG (R24 million) - was not cash-backed which delayed expenditure • PHB (R43 million) - delayed by planning and land acquisition challenges • Electricity Demand Side Management (R10.9 million) - stopped mid-year by National Department due to difference of opinion on whether the funding could be used for the budgeted purpose ▪ DoT (R20 million) - for integrated transport plan – delay due to parallel study conducted by Province and District which requires Council

	<p>reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> ▪ the information has been properly disclosed; ▪ conditions of allocations have been met; and ▪ that any explanations provided are acceptable. <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	approval as the responsible agent.
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3. Disclosures in notes to AFS	Considerations relating to section 124	Responses/Comments
Information relating to benefits paid by municipality and entity to councillors, directors and officials	<p>Information on the following items is to be included in the notes to the annual report and AFS:</p> <ul style="list-style-type: none"> • salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind; • any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors; • salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager; • contributions for pensions and medical aid; • travel, motor car, accommodation, subsistence and other allowances; • housing benefits and allowances; • overtime payments; • loans and advances, and; • any other type of benefit or allowance related to staff. <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> • the information has been properly disclosed; • conditions of allocations have been met; and • that any explanations provided are acceptable. <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	<p>1. Salaries are reflected in notes 28 & 29, page 63 <i>(Endorsed by Committee)</i></p> <p>2. Arrears by Councillors, page 68 <i>(Endorsed by Committee)</i></p>

4. Municipal Performance	Considerations	Responses/Comments
The annual performance reports of the municipality and entities	Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures	<p>1. Performance Report on pages 145-190 <i>(Endorsed by Committee)</i></p> <p>2. Performance Report includes:</p>

	<p>taken to improve performance. The report must form part of the annual report. Questions that may be considered are –</p> <p>Has the performance report been included in the annual report?</p> <p>Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report?</p> <p>Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?</p> <p>In terms of key functions or services, how has each performed? Eg. have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics etc?</p> <p>To what extent has performance achieved targets set by council?</p> <p>Is the council satisfied with the performance levels achieved?</p> <p>Is the community satisfied with performance?</p> <p>Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?</p> <p>What actions have been taken and planned to improve performance?</p> <p>Is the council satisfied with actions to improve performance?</p> <p>Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?</p> <p>Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</p> <p>Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</p> <p>To what extent have actions planned for the previous year been carried over to the financial year reported upon? Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?</p> <p>Council should comment and draw conclusions on information and explanations provided.</p>	<ul style="list-style-type: none"> ▪ Legislated KPIs ▪ Compliance check questionnaire ▪ Performance Report on the SDBIP ▪ Performance Highlights ▪ Actions to improve under-performance is included in performance highlights ▪ Attached resolutions indicate actions taken thus far in response to the Audit On Performance Information (<i>Endorsed by Committee</i>) <p>3. Safe City Report on performance on pages 107-110 (<i>Endorsed by Committee</i>)</p>
Audit reports on performance	<p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually. Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the</p>	<p>No indication in the performance report of actions implemented in response to the Audit on performance information from the Audit on Performance Information from the 2008/ 2009 Auditor</p>

	auditor-general been included in action plans to improve performance in the following year?	General's Report. <i>(Not Endorsed by Committee)</i>
4. Municipal Performance	Considerations	Responses/Comments
Performance of municipal entities and municipal service providers	<p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities.</p> <p>The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered.</p> <p>Is the council satisfied with the evaluation and conclusions of the municipality?</p> <p>What other actions are considered necessary to be taken by the accounting officers?</p>	<p>Assessment of the performance of the municipal entity and all contracted service providers is not included in Annual Report <i>(Not Endorsed by Committee)</i></p> <ul style="list-style-type: none"> ▪ In future all service providers and entities to have Service Level Agreements and must be monitored and reported on regularly to the Municipal Public Accounts Committee.
For municipal entities – an assessment of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality	<p>This is the separate report of the municipal entity and should contain details of service delivery agreements with the municipality and the performance measures therein.</p> <p>Council should consider similar issues to that outlined above for municipal performance to determine a view on the performance of municipal entities.</p> <p>To what extent were the objectives and performance measures of the entity aligned to the overall strategic objectives of the municipality and its IDP?</p> <p>Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality?</p> <p>What specific actions should be taken by the entity and the municipality to improve performance?</p>	<p>No SLA included in Annual Report.</p> <p><i>(Not Endorsed by Committee)</i></p>

5. General information	The following general information is required to be disclosed in the annual report.	Responses/Comments
Relevant information on municipal entities	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses and contact details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.	N/A
The use of any donor funding support	<p>What donor funding has the municipality received?</p> <p>Have the purposes and the management agreements for the funding been properly agreed</p>	1. All donor funding received by the Municipality is reflected on Pages 96-101 of the Annual Report.

	<p>upon?</p> <p>Have the funds been used in accordance with agreements?</p> <p>Have the objectives been achieved?</p> <p>Has the use of funds been effective in improving services to the community?</p> <p>What actions need to be taken to improve utilisation of the funds?</p>	<p><i>(Endorsed by Committee)</i></p> <ul style="list-style-type: none"> Committee resolved that in future the Municipal Manager [Acting], in consultation with the Strategic Executives, must provide spending plans and, where appropriate, maintenance plans for the use of all donor/grant funding received.
Agreements, contracts and projects under Private-Public-Partnerships	<p>Information similar to the details of municipal entities should be provided.</p> <p>Council should ensure that all details have been supplied.</p>	N/A
Service delivery performance on key services provided	<p>This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms.</p> <p>Council may draw conclusions on the overall performance of the municipality.</p> <p>This information may be found in an executive summary section of the annual report and or in statistical tables.</p>	<p>No high-level/ Executive Summary on service delivery performance on key services provided contained in Annual Report.</p> <p><i>(Not Endorsed by Committee)</i></p>
Information on long-term contracts	<p>Details of all long-term contracts including levels of liability to the municipality should be included.</p> <p>Council should ensure all information is correctly supplied.</p>	<p>Information on long-term contracts is contained in Appendix B, Page 83 of the Annual Report.</p> <p><i>(Endorsed by Committee)</i></p>
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	<p>Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services.</p> <p>Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained.</p> <p>Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.</p>	<p>1. Information relating to Information Technology is reflected on Page 210-212 of the Annual Report. However, concerns were expressed regarding the qualification received for wasteful expenditure on a system which was purchased but not utilised. In response, the Municipal Manager [Acting] advised that the matter would be revisited once the new financial system to be purchased was assessed in terms of whether the time and attendance issue could be integrated in the new system.</p> <p><i>(Not Endorsed by Committee)</i></p>
Three year capital plan for addressing infrastructure	<p>A summary of the long-term capital plans and how these address the backlogs of services in</p>	<p>1. MIG report is reflected on page 267-268 of the Annual Report.</p>

backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	<p>the municipality should be provided.</p> <p>This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets.</p> <p>Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p>	<p>Committee however expressed reservations that this report does not reflect infrastructure backlogs.</p> <p><i>(Not Endorsed by Committee)</i></p>
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6. Other considerations recommended		Responses/Comments
Timing of reports	<p>Was the report tabled in the time prescribed?</p> <p>Has a schedule for consideration of the report been adopted?</p>	<ol style="list-style-type: none"> 1. The Annual Report 2009/ 2010 was tabled in Full Council on Wednesday, 26th January 2011 (attached Annexure 'P') <i>(Endorsed by Committee)</i> 2. Schedule prepared for Oversight Process (attached Annexure 'E') <i>(Endorsed by Committee)</i>
Oversight committee or other mechanism	<p>What mechanisms have been put in place to prepare the oversight report?</p> <p>Has a schedule for its completion and tabling been adopted?</p>	<ol style="list-style-type: none"> 1. Committee established by Council on 23rd February 2011(attached Annexure 'Q') <i>(Endorsed by Committee)</i> 2. Technical Support Team from the Office of the Municipal Manager and the Secretariat. <i>(Endorsed by Committee)</i> 3. The Oversight Report will be presented to Council for adoption at end of March 2011 <i>(Endorsed by Committee)</i>
Payment of performance bonuses to municipal officials	<p>Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report.</p> <p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?</p> <p>If so has a proper evaluation of performance</p>	N/A

	<p>been undertaken?</p> <p>Was the evaluation approved by council?</p> <p>Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report?</p> <p>Are the payments justified in terms of performance reported in the annual report?</p> <p>Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.</p>	
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Annexure 'P'



CORPORATE SERVICES AND PLANNING BUSINESS UNIT

EXTRACT FROM MINUTES OF THE MSUNDUZI MUNICIPAL COUNCIL COMMITTEE MEETING HELD ON 26 JANUARY 2011

11. MSUNDUZI MUNICIPALITY ANNUAL REPORT 2009/2010.

(Item 12 of agenda)

The Mayor advised that the Msunduzi Municipality Annual Report 2009/2010 would be submitted to the Municipal Public Accounts Committee (MPAC) for interrogation.

It was

RESOLVED

- (a) That the Msunduzi Municipality Annual Report 2009/2010 be NOTED.
- (b) That Msunduzi Municipality Annual Report 2009/2010 be submitted to the Municipal Public Accounts Committee (MPAC) for interrogation.

CERTIFIED A TRUE COPY

N Mngadi

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**For STRATEGIC EXECUTIVE CORPORATE SERVICES
AND PLANNING (ACTING)**

5 April 2011

Enquiries: Municipal Manager's Representative: Dr KC Barichievy (033 392763)

Enquiries: Committee Officer: Nombulelo Mngadi

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Annexure ‘Q’

Extract From Unconfirmed Minutes of the MEETING HELD IN THE **COUNCIL CHAMBER, CITY HALL ON WEDNESDAY, 23 FEBRUARY 2011 AT 14h20**

ESTABLISHMENT OF OVERSIGHT COMMITTEE AS REQUIRED FOR PURPOSE OF CONSIDERING THE ANNUAL REPORT AS PER SECTION 129 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2000 (9.4.1/R5609).

Report incorporating recommendations of the Executive Committee.

(FCC 7 of 2011)

It was recommended that under recommendation 6.4, the words “on an annual basis” be replaced with the words “*on a term of office basis*”.

It was thereafter;

RESOLVED

- (a) That the Municipal Public Accounts Committee (MPAC), plus additional three (3) community representatives, serve as the Oversight Committee that will consider the Annual Report of the Municipality as required as per Section 129 of the Municipal Finance Management Act (MFMA) 2000.
- (b) That the three (3) community representatives currently serving on the Oversight Committee in 2010, continue to serve their final year on the Oversight Committee.
- (c) That in the future, the Municipal Public Accounts Committee, plus an additional three (3) community representatives, will serve as the Oversight Committee that will consider the Annual Report in terms of Section 129 of the Municipal Finance Management Act 2000.
- (d) That the Municipal Manager (Acting) establishes a suitable process and mechanisms to appoint community representatives that will serve on the Oversight Committee on a term of office basis.

(Councillors Naidoo and Madonda were not present when the decision was taken)

Annexure 'R'

Recommendation/Reservation 2008/2009	Implemented Yes/No/Partially	Comments
That the Council, having considered the 2008/2009 Annual Report of the Msunduzi Municipality, as tabled on 28 th January 2010, adopts the Oversight Report, in terms of Section 129 of the Municipal Finance Management Act (MFMA).	Yes	Nil
There is no proper report on the municipality's performance management system as is required by Section 46 of the MSA as well as Section 121 (3)(c) & (f) of the MFMA.	Partially	The Annual Performance Report included in the 2009/ 2010 Annual Report is an improvement to previous years, but still lacks some core requirements like: ➤ Overall Executive Summary on performance; ➤ Backlog and demand information.
The lack of a performance audit made it difficult for the committee to carry out its responsibilities.	No	It is noted with concern by committee no performance audits, by the Internal Audit Unit, were conducted during the financial year.
That due to the absence of the audited performance, the committee was not in a position to question service delivery or backlogs in certain budget targets as set out in the implementation plan of business units Service Delivery and Budget Implementation Plans (SDBIP).	No	As Above.
That the minutes of the meetings where the Annual Report was discussed be submitted to: <ul style="list-style-type: none"> the Auditor-General; MEC: Department of Cooperative Governance and Traditional Affairs; and, MEC: Provincial Treasury, as attached to the report, in terms of Section 129 (2) of the MFMA.	Yes	Nil
That the corrective measures outlined in management's responses to the Auditor-General's management letter, the Action Plan of the Controls Transformation Steering Committee (CSTC), and the Audit Committee be implemented.	Partially	Committee notes that there are recurring issues in the Report of the Auditor General that have not been implemented.
That the overall strategy of the Municipality be strengthened; it being noted that Key Performance Indicators (KPIs) be developed and monitored closely.	Partially	KPIs were developed in terms of the revised IDP and approved budget for 2009/ 2010, however monitoring and reporting

		was weak.
That, in future, an electronic version of the Annual Report is available in Zulu.	No	<ul style="list-style-type: none"> ➤ This was not made possible due to financial constraints. ➤ Committee maintains that an electronic copy in Zulu must be made available.
That the 2008/2009 Oversight Report of the Msunduzi Municipality and its Municipal Entity be made public in terms of Section 129 (3) of the Municipal Finance Management Act (MFMA); and be submitted to the KwaZulu Natal (KZN) Provincial Legislature in terms of Section 132 (2) of the Municipal Finance Management Act (MFMA).	Partially	<ul style="list-style-type: none"> ➤ The Oversight Report 2008/ 2009 was not published on the Municipality's website. ➤ The Oversight report was submitted to the KZN Provincial Legislature.
The Oversight Committee, in future, is established at the beginning of the financial year	No	<ul style="list-style-type: none"> ➤ All committees were put on hold until the approval and implementation of the new Committee System in December 2010. ➤ With the establishment of the Municipal Public Accounts Committee, it no longer becomes necessary to establish the Oversight Committee at the beginning of the financial year.
The minutes of the Audit Committee are forwarded to members of the Oversight Committee during the year and, where the need arises, a meeting of the two committees be convened.	No	As Above (i)