

**2007 / 2008 Annual
Report (Draft)**

Compiled by

Office of the Municipal Manager

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Chapter 1: Introduction and Overview

1.1 Mayoral Foreword

Honourable Speaker
Honourable Members of Council
Executive Committee
Municipal Manager
Municipals Officials
All protocols observed



**Cllr T E Maphumulo
Honourable Mayor**

In presenting this Annual Report the Mkhambathini Local Municipality is proud to set out its performance and financial management highlights for the 2007/2008 financial year.

The Annual Report is the transparent account of the Municipality's achievements and shortfalls in spending or delivery that may exist under the period of review .

The Report is published in terms of the requirements of the Municipal Finance Management Act 56 of 2003; Circular No.11 which requires a municipality to report on all aspects of performance providing a true, honest and accurate account of goals set by the Council and our success or otherwise in achieving these goals.

The Annual Report aims at enhancing the governance structures and promoting accountability within the municipality. It forms part of the cycle of ongoing planning, monitoring and evaluation that begins with the formulation and annual review of the Integrated Development Plan. This in turn helps Mkhambathini Municipality to make its budget determinations and set achievable targets of service delivery.

Poverty Alleviation and the plight of rural women remained one of our greatest challenges during the year. In keeping with the national and provincial trend women outnumbered their male counterparts in the rural areas. Thirty percent of the women that visited antenatal clinics were found to be HIV and AIDS infected. To alleviate this problem we have been concentrating on improving accessibility to mobile clinics in remote areas.

Good progress was also made in the provision of basic services, including access to water, sanitation, electricity and solid waste removal.

In conclusion, I would like to thank all members of Council and Municipal staff for their support, co-operation and hard work during the period under review and ensure that we strive for continuous improvement in service delivery and financial management within a municipal cycle that welcomes inputs and participation from the communities that it locally serves.

1.1.1 Municipal Manager's Statement



**Mr D A Pillay
Municipal Manager**

The Mkhambathini Local Municipality's Annual Report for 2007/08 performance year has given an in-depth overview of the work that was undertaken in the last year whereby the municipality has grown from strength to strength in areas of transition and transformation undertaking positive, tangible and sustainable development in line with National, Provincial and Local priorities thereby creating a strategic and systematic approach in our core focus areas.

Throughout the country, the dilemma of people living in poverty has been an ever pressing issue. Therefore, the importance of a sound local economic growth cannot be overemphasized; with this in mind several strategies were formulated to encourage economic development initiatives. With Mkhambathini located alongside the N3 which carries both trade and tourist traffic, with this brings high potential for tourism therefore the Tourism Plan was developed within the Local Economic Development (LED) strategy to enhance tourism in the municipality.

As a result, areas of tourism development have been identified. Secondly to contribute in the country's campaign of providing housing for all, this municipality has undertaken to develop low income housing for the dedicated staffs that are part of service delivery mechanism, who must take credit in many ways for touching the lives of people within Mkhambathini. On a daily basis they have undertaken vital service delivery, and each year progress was achieved in areas of social and economic development.

We table this report in the spirit of Batho Pele, putting our people and communities first, and this report bears our testimony to our commitment for setting platforms to achieving more desired outcomes for the years ahead.

1.2 Overview of the Mkhambathini Local Municipality

Mkhambathini Local Municipality was established in terms of Section 155(1) (b) of the Constitution of the Republic of South Africa (1996) following the 2000 local government elections. It is one of the seven (7) category B municipalities comprising Umgungundlovu District Municipality. It shares municipal executive and legislative authority with Umgungundlovu District Municipality.

Mkhambathini Local Municipality is situated along the southern-eastern boundary of Umgungundlovu District Municipality and adjoins Richmond and Msunduzi Local Municipalities to the west, Mshwathi Local Municipality to the north and Durban/eThekweni Metropolitan area to the east.

1.2.1 Service Delivery Challenges

Some of the main service delivery backlogs in the Mkhambathini area as compared to the Umgungundlovu District are depicted in the following table:

Type of service and/or criteria	Mkhambathini	District
RDP water backlog	41.34%	15.61%
RDP sanitation backlog	61.97%	41.29%
RDP electricity backlog	57.54%	25.64%
Solid waste disposal backlog	94.65%	53.97%
% of people with no education	22.73%	14.78%

Source: UMDM 2007/ 2008 RDP

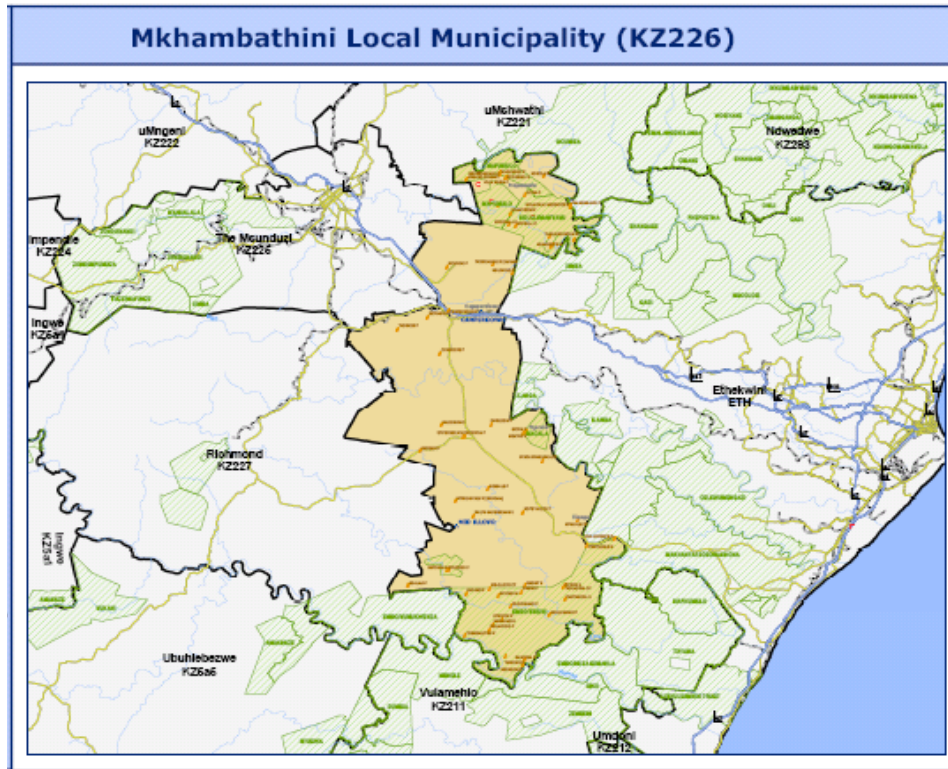
Affordability levels experienced by households in the area are reflected in the following table.

Households with insufficient money for:	Mkhambathini	District
Food	66%	34%
Water and electricity	31%	33%
Education	63%	43%
Health care	66%	47%
Clothing	60%	48%

Source: Quality of Life and Client Satisfaction Survey: UMDM – Oct 2006

From the above statistics it is clear that, from a comparative point of view, the Mkhambathini Municipality is faced with significant service delivery backlogs. However, taking into account the comparative backlogs in affordability levels experienced by households it is clear that much work, in conjunction with other spheres of government, needs to be done in the field of social development services.

In striving towards addressing the service needs it is necessary to take stock of the level of customer satisfaction amongst the people that the municipality serves.



The customer satisfaction in Mkhambathini as compared to the district average is reflected below .

Service provided	Mkhambathini	District
Community halls	86%	54%
Crèches	37%	44%
Education facilities	52%	49%
Health services	39%	54%
Housing support services	0%	36%
Libraries	100%	42%
Parks / Recreational open spaces	69%	41%
Pension pay points	57%	59%
Police services	60%	52%
Postal services	92%	62%
Public telephones	80%	43%
Sports facilities	29%	48%
Public transport	63%	50%
Most important services	Halls and Crèches	Halls and Health

Source: Quality of Life and Client Satisfaction Survey: UMDM – Oct 2006

As can be deduced the people in Mkhambathini were relatively satisfied with certain services, but more work needs to be done in other services. These statistics will be used as a benchmark for improvement.

1.2.2 Economic Growth Potential

The Mkhambathini Local Municipality adopted a Local Economic Development (LED) Strategy during the year under review. This Strategy is fully aligned to the LED Strategy for the uMgungundlovu District Municipality.

The main thrust of the Municipality's LED Strategy is that it needs to, as a matter of urgency, create an enabling infrastructure environment where Mkhambathini businesses can thrive and expand.

Attention needs to be given to increasing the rate of growth and survival of SMME's and the number of SMME's in an area. The following measures have been identified to achieve this goal:

- Provide incentives for investment;
- Improve business support;
- Provide information on development;
- Increase local purchasing;
- Promote public private-partnerships; and
- Assist businesses with marketing.

These measures will hopefully create a positive attitude about establishing and expanding businesses in the area.

1.3 Executive Summary

1.3.1 Vision, Mission, Principle and Values

OUR VISION

By the year 2020 Mkhambathini will be a sustainable developmental municipality with improved quality of life for its entire people in areas of basic services, social, economic and environmental development.

Our Mission

As Mkhambathini Municipality administration we commit ourselves to:

- Upholding our leadership vision, working with integrity and in an accountable manner towards the upliftment of the people;
- Protect and enhance the interest of our clients at all times;
- Consistently perform our functions with transparency, honesty and dedication in dealing with clients; and
- Respond promptly to the needs of our clients.

Our Principle and Values

The Mkhambathini Municipality subscribes to and applies the following Batho Pele Principles in the delivery of its mandate:

1. Consult customers on their service delivery needs
2. Inform customers on the level and quality of services they are entitled to receive
3. Improve access to services
4. Treat Customers with courtesy and respect
5. Provide customers with full and accurate information about services
6. Be open and transparent with regard to the management of the Municipality
7. Deal with complaints promptly and take remedial action to improve services
8. Provide value for money services

Legislative Mandates

The primary legislative mandate of the municipality stems from chapter 7, section 151 (2) of the Constitution of the Republic of South Africa, which states that –

The municipality must strive within its administrative and financial capacity, to meet the objects of local government which are to:

- Provide democratic and accountable government for local communities
Ensure sustainable provision of services to communities;
- Promote a safe and healthy environment; and to
- Encourage communities to become involved in local government matters.

The constitution also requires municipalities to structure and manage their administrations, budgeting and planning processes in such a manner as to:

- Prioritize the basic needs of the communities;
- Promote the social and economic development; and
- Participate in national and provincial development programmes.

These constitutional stipulations are also reinforced in section 73(1) of the Local Government: Municipal Systems Act No. 117 of 1998.

The constitution is further supported by the following Acts which were created solely for the furtherance of the municipalities' constitutional mandate:

- Local Government: Municipal Structures Act No. 117 of 1998
- Local Government: Municipal Systems Act No. 32 of 2000
- Local Government: Municipal Finance Management Act No. 56 of 2003
- Local Government: Municipal Property Rates Act No. 6 of 2004
- Division of Revenue Act
Development Facilitation Act

Section 84(1) Powers and Functions not yet provided

- Child Care Facilities
- Electricity Reticulation
- Water and Sanitation
- Municipal airport and Parking
- Municipal health services
- Municipal Public Transport and Pounds
- Pontons and Ferries
- Beaches and amusement facilities
- Billboards and the display of advertisements in public places
- Markets, Municipal Abattoirs
- Environmental Health

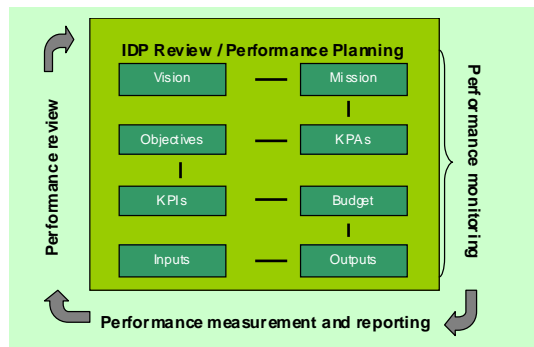
Chapter 2: Performance Highlights

2.1 Services provided by Mkhambathini Municipality

The main responsibilities of Departments during 2007/08 are reflected below:

Office of the Municipal Manager

- Provide strategic direction in pursuance of mandates
- IDP review and implementation
- Internal Audit/External Audit
- Implementation of special mayoral projects
- Legal compliance
- Service delivery improvement
- Municipal Electoral Management
- Sound Labour Relations
- Public participation
- Anti-corruption Strategy
- Performance Management
- Powers and functions of an Accounting Officer



Department of Technical Services

- Access to water
- Access to sanitation
- Access to electricity
- Roads and storm water management
- Waste management
- Sustainable human settlement
- Land use management
- Provision of public facilities
- Development Planning
- Building Control

In liaison with
the District



Department of Financial Services

- Implementation of the MFMA
- Budgeting and Reporting
- Income Control
- Expenditure Control
- Supply Chain Management
- MPR A
- Municipal Property Rates
- Asset Management

All managers are measured on the 3 Es

1. **Economical:** Cost-benefit analysis completed each quarter for the most expensive outputs
2. **Efficient:** Initiatives introduced to increase productivity and combat fruitless expenditure
3. **Effective:** 100% of scorecard objectives achieved within budget by 30 June 2008

Department of Administration and Corporate Services

- Human resource management
- Information communications technology
- General administration
- Secretarial services to committees
- Document management(Archives)
- Library services
- Motor licensing
- Learners License

Department of Community Services

- Core functions
 - Local economic growth
 - HIV/AIDS
 - GDYC(Gender, Disability, Youth & Early Child Development)
 - Tourism
 - Arts & Culture
 - Sports & Recreation
 - Pauper Burial
 - Waste Removal
 - Disaster Management
 - Management of Indigent Register

- Non-core functions
 - Promote literacy
 - Improve the standard of health
 - Improve social security
 - Reduce crime
 - Promote land reform
 - Environmental health



CHAPTER 3: Human Resource and Organisational Management

3.1 Functional and organisational structure

3.1.1 Organogram

Refer to Annexure A

3.1.2 Political Structures

MKHAM BATHINI MUNICIPAL COUNCIL

MEMBERS OF EXECUTIVE COUNCIL	
Qlr. T.E. Maphumulo	Honourable Mayor
Qlr.J.S. Mkhize	Deputy Mayor
Qlr.T.Z Maphumulo	Speaker
Qlr.F.P Msomi	Exco Member

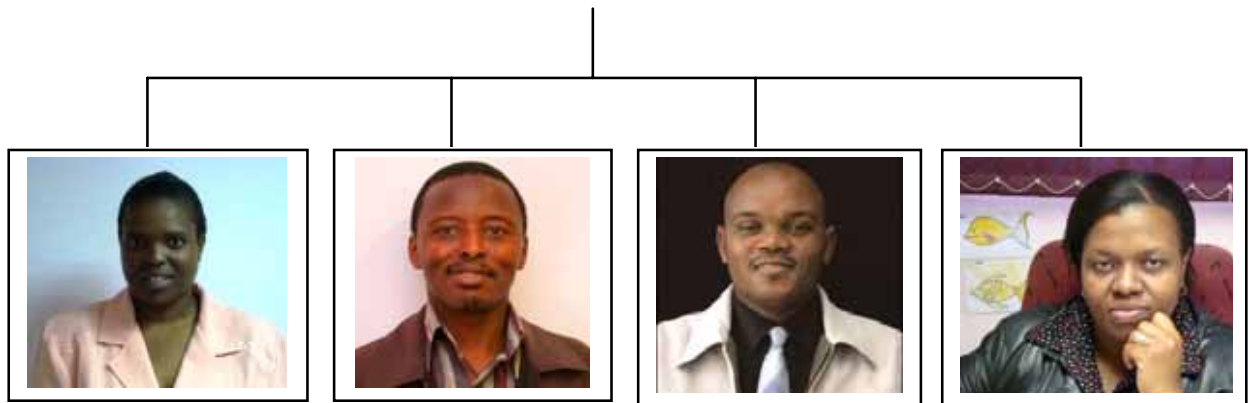
COUNCILLORS	
Qlr.T.A Gw ala	Ward Councillor
Qlr.F.J. Ngubane	PR Councillor
Qlr.S.P Goqo	Ward Councillor
Qlr. M.Nene	Ward Councillor
Qlr. M.E Ngcongco	PR Councillor
Qlr. E. Ngcongco	Ward Councillor
Qlr. M.R Ntuli	Ward Councillor
Qlr. M.K Mkhize	PR Councillor
Qlr.B.Zondi	PR Councillor
Qlr.S. Tovernlath	PR Councillor

COMMITTEES	
Political Liaison Committee	Finance Committee
Economic Development and Planning Committee	
Audit Committee	Human Resource Committee
Executive Committee	Housing Committee

3.1.3 Administration and Management Committee



Mr DA Pillay
Municipal Manager



Ms N J Mnguni,
Manager:
Community Services

Mr N N Khuzwayo,
Manager:
Technical Services

Mr G T Magcaba,
Manager:
Financial Services

Ms G B Mchunu,
Manager: Corporate
Services

As can be deduced from the above organogram the structure provides for an Office of the Municipal Manager and four municipal Departments, each headed by a Manager. All of these posts are filled in terms of Section 57 of the Municipal Systems Act. These officials constitute the Management Committee of the Municipality with each Head of Department reporting to the Municipal Manager and the latter reporting to the Mayor who heads the Executive Committee.

In terms of the Municipal Finance Management Act the Municipal Manager is also the Accounting Officer. In this role he is assisted by the Chief Financial Officer, reflected above as the Manager: Financial Services.

3.2 Municipal Transformation and Institutional Development

PROGRAMMES	PROGRESS
Training (workshop and courses)	Employees are competent and are motivated through special programmes
Career Pathing Objectives	An enabling environment is created for the development of employees
Workplace Skills Plan	70% in terms of implementation plan
Employment Equity Act	Requirements Adhered
Monitoring & Training Of Ward Committees	Undertaken in each ward
POLICIES	PROGRESS
Placement	Comply and employees placed accordingly
Induction	Employees undergo induction
Recruitment and Selection	Comply through following the whole procedure
Employment Equity Policy	Reviewed, approved and aligned to the collective agreements as per resolution by SAMWU, IMATU & SALGA.
Employment Benefits and Conditions Policy	Reviewed, approved and aligned to the collective agreements as per resolution by SAMWU, IMATU & SALGA.
Common Business Language of Municipality	Reviewed, approved and aligned to the collective agreements as per resolution by SAMWU, IMATU & SALGA.
Industrial Relations Policy	Reviewed, approved and aligned to the collective agreements as per resolution by SAMWU, IMATU & SALGA.
Communication Policy	Reviewed, approved and aligned to the collective agreements as per resolution by SAMWU, IMATU & SALGA

3.3 Information on Staffing: Human Resource Statistics

a) Number of staff employed per organisational component and function

Organisational component / function	Total approved posts	No of vacant posts
Office of the Municipal Manager		
• Secretary	1	0
• Performance Management	0	0

Department of Community Services		
• Disaster Management	1	1
• Local Economic Development	1	0
• Tourism Development	1	0
• Town and Regional Planning	1	0
• Planning and Implementation Management Support	0	0
Department of Technical Services		
• Waste management	0	1
• Land use management	0	1
• Roads and Storm water Management	6	0
• Building Control	0	1
• Development Planning	0	1
• Provision of public facilities	0	1
• Sustainable human settlement	0	1
• Management of Infrastructure	0	6
Department of Financial Services		
• Budgeting and Reporting	1	0
• Income Control	0	1
• Expenditure Control	0	1
• Supply Chain Management	1	1
Department of Corporate Services		
• Human Resource Management	2	0
• Mayor's Parlour	3	0

b) Skills or levels of education attained

Number of staff employed that are:			
Graduates	Artisans	Unskilled	Total
0	0	19	19

c) Personnel expenditure over the last three years

Criteria	2005 / 2006	2006 / 2007	2007 /2008
Personnel budget			
Percentage of total budget			

d) Pension and medical aid scheme membership

Employee membership of pension schemes				
Natal Joint Municipal Pension Fund	Natal Joint Municipal Provident Fund	Natal Joint Municipal Retirement Fund	Government Employees Pension fund	Total
21	49	2	0	72

Employee membership of medical aid schemes					
Keyhealth	SAMWUMED	LA Health	BONTAS	Hosmed	Total
6	17	4	0	0	27

e) Monies owed by staff and Councillors

Owed by staff	Owed by Councillors	Total
0	0	0

f) Employment status

Permanent employees	Contract employees	Section 57 employees	Learnerships and interns	Temporary employees	Total
63	7	4	1	68	143

g) Demographic profile of employees

Occupational level	Female				Male				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Section 57	2				2		1		5
Middle management									
Other staff	22	1	3	2	28		1		56
Total	24	1	3	2	30		1		61

Chapter 4: Audited Statements and Related Financial Information

4.1 Audited financial statements

MKHAMBATHINI MUNICIPALITY				
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008				
		Note	2008	2007
			R	R
				Restated
Net assets			13,856,793	19,353,977
Capital replacement reserve			6,267,376	5,842,473
Capitalisation reserve			3,708,472	3,943,597
Government grant reserve			1,035,435	5,970,977
Donations and public contributions reserve			7,172	8,069
Revaluation reserve			140,701	140,701
Accumulated (deficit)/surplus			2,697,637	3,448,160
Current liabilities			12,877,389	10,746,845
Creditors		2	597,344	2,379,306
Provisions		3	1,053,593	910,211
Bank overdraft		9	2,214,002	692,658
Unspent grants and receipts		3	9,012,450	6,764,670
Total Net Assets and Liabilities			26,734,182	30,100,822

ASSETS				
Non-current assets				
Property, plant and equipment		4	15,422,664	11,635,515
Current assets			11,311,518	18,465,307
Consumer debtors		5	448,285	306,935
Other debtors		6	417,819	312,392
VAT		7	1,955,712	1,142,916
Bank balance		9	8,487,303	16,700,664
Cash		9	2,400	2,400
Total Assets			26,734,182	30,100,822

5,172,000	1,870,000	Contracted services	2,380,109	3,365,832
5,805,579	10,734,747	General expenses	8,622,982	4,033,676
		Interest earned - transferred to Reserves		
-	-	and Unspent Grants	1,441,741	832,249
20,952,604	24,980,475	Total Expenditure	25,209,819	18,630,788
1,177,477	(4,002,309)	(DEFICIT)/SURPLUS	(6,023,171)	2,881,978
1,177,477	(4,002,309)	(DEFICIT)/SURPLUS FOR THE YEAR	(6,023,171)	2,881,978
		Refer to Appendix E (1) for explanation		
		of variances		

4.2 Budget to actual comparison

	Note	2008	2007
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		21,026,373	20,783,267
Cash paid to suppliers and employees		(27,388,193)	(18,138,669)
Cash generated from operations	16	(6,361,820)	2,644,598
Interest received		1,456,127	1,205,875
Cash contributions from the State		-	-

NET CASH FLOW (USED IN) FROM OPERATING ACTIVITIES				(4,905,693)	3,850,473
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment				(4,829,012)	(3,515,208)
NET CASH USED IN INVESTING ACTIVITIES				(4,829,012)	(3,515,208)
CASH FLOWS FROM FINANCING ACTIVITIES				-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				(9,734,705)	335,265
Cash and cash equivalents at the beginning of the year				16,010,406	15,675,141
Cash and cash equivalents at the end of the year		9		6,275,701	16,010,406
Cash receipts from ratepayers, government and others					
Income				19,186,648	21,512,766
Debtors at beginning of the year				4,661,540	3,932,041
Debtors at end of the year				(2,821,816)	(4,661,540)
				21,026,373	20,783,267

Chapter 5: Functional Area Service Delivery Reporting

5.1 Actual Service Delivery

Performance against IDP targets

All business units made inputs into the IDP and communities were consulted on these inputs through the IDP structures. The planned IDP deliverables were then incorporated into the Service Delivery and Budget Implementation Plans (SDBIPs), which serve as a contract between the Administration, Council and the Communities expressing these deliverables as quantifiable outcomes and outputs. The SDBIP provides the basis for measuring and reporting performance in service delivery and the result of this process is set out below.

5.1.1 Key Performance Area: Basic Service Delivery

Planned outputs	Completed	Challenges and / or planned improvements
Access to water		
1. All scheduled meetings with the District attended and follow-up on resolutions dealt with before the next meeting	100%	
2. All enquiries from communities attended to within two weeks of receipt	100%	
Access to sanitation		
3. All scheduled meetings with the District attended and follow-up on resolutions dealt with before the next meeting	0%	No meetings have been scheduled
Access to electricity		
4. All scheduled meetings with the District attended and follow-up on resolutions dealt	100%	

with before the next meeting		
5. All enquiries from communities attended to within two week of receipt	0%	No enquiries from communities
6. 1000 households supplied with interim alternative energysources by 30 June 08	-	
Access to Roads and Storm Water		
1. All scheduled meetings with the District attended and follow-up on resolutions dealt with before the next meeting	0%	No meetings scheduled
2. All enquiries from communities attended to within two weeks of receipt	100%	
3. 5 roads and 3 km of roads maintained and / or improved 30 June 08		
Telecommunications		
1. Community communication needs established in all 7 wards by 30 June 08	0%	No known needs
2. List of documented needs in 7 wards included in the Service Provider's plans by 30 June 08	0%	No documented needs
Solid Waste Management		
1. All scheduled meetings with the District attended and follow-up on resolutions dealt with before the next meeting	100%	
2. All enquiries from communities attended to within two week of receipt		
3. Awareness campaign implemented in 7 wards		

by 30 June 08		
Sustainable Human Settlement(Housing)		
1 Stage one (Planning) for 500 houses per ward completed by 30 June 08	100%	
2. Planning for implementing of basic services completed by 30 June 08	100%	
Land Use Management System		
1. All meetings with the District attended according to schedule	0%	No scheduled meetings
2. Two development applications processed per week	100%	
Community and Public Facilities		
1. 4 facilities provided by 30 June 08	100%	
2. 7 community and public facilities maintained by 30 June 07		

5.1.2 Key Performance Area: Local Economic Development

Planned outputs	Completed	Challenges and / or planned improvements
Local Economic Development		
1. 100% implementation of projects by 30 June 08	40%	2008/09 projects are still on the implementation stage where LED forums are met to discuss the allocation of tasks to be implemented within the projects in their wards.
Tourism		
2. 100% implementation of projects by 30 June 08	%	

Agricultural Development		
1. Implementable plan submitted to Council for adoption by 30 June 2008	100%	Through development plans
2. All enquiries from communities attended to within two weeks of receipt	100%	
Co operatives and SMME's		
1. Implementable plan submitted to Council for adoption by 30 June 2008	50%	LED Strategy is been used in implementing the co-operatives and SMME's programes (Both deal with economic development)
Public Private Partnerships		
1. PPP Policy adopted by 30 June 08	0%	
Business Support Development		
1. Reviewed strategy by Council by 31 Dec 08	20%	Awaiting to establish Business Forum
2. Implemented Business Support and Development Strategy by 30 June 08	0%	None

5.1.3 Key Performance Area: Social Development Services

Planned outputs	Completed	Challenges and / or planned improvements
Education		
1. Implementable plan submitted to Council for adoption by 30 June 2008	0%	Liaise with Department of Education
2. Established education forum representing stakeholders by 30 June 2008	0%	None
3. Established ABET Programme in consultation with stakeholders by 30 June 2008	40%	Masifundisane currently operating in all wards
4. One information session conducted in 7 wards by 30 June 08	0%	None
Health		
1. Implementable plan submitted to Council for	0%	Liaise with the Department of Health

adoption by 30 June 2008		
2. Established health care forum representing stakeholders by 30 June 2008	0%	None
Social Security		
1. Social security needs identified and conveyed to Technical Services for incorporation in the Plan by 28 Feb 08		
Community Safety	0%	Liaise with South African Police
1. Implementable plan submitted to Council for adoption by 30 June 2008	0%	None
2. Established safety forum representing stakeholders by 30 June 2008	0%	None
Disaster Management		
1. Implementable plan submitted to Council for adoption by 30 June 2008	0%	Awaiting for adjustment budget
2. Contingency Plan developed in consultation with the District and stakeholders by Aug 08	0%	Liaise with the District incase of Emergency
3. Established Disaster Management forum representing stakeholders by 30 June 2008	100%	Existing Disaster Management Forum
Youth, Gender And People with Disability		
1 Implementable plan submitted to Council for adoption by 30 June 2008	80%	Youth Development Strategy awaiting to be presented at Council
	0%	Gender and Disability
Sports and Recreation		
1. Implementable plan submitted to Council for adoption by 30 June 2008	0%	Relevant projects are submitted to the Department of Sport and Recreation for funding
2. Established sports forum representing stakeholders by 30 June 2008	100%	Forums are in function and performing well in their duties

HIV and Aids		
1. Implementable plan submitted to Council for adoption by 30 June 2008	70%	Local Aids Council has been launched (1/08/08) HIV/AIDS forums are in function HIV/AIDS Strategic plan to be formed on the 13-14 Nov 2008 at Summit held in Hilton area. Awaiting to be adopted by council
Community and Public Facilities		
1. Education programme on the proper use of facilities developed and implemented by 30 June 08		
Land Reform		
1. Attend scheduled meetings and provide feedback as required	80%	Liaise with Department of Land Affairs
Environmental Sustainability		
1. Projects identified and resourced in consultation with DAEA and stakeholders by 30 June 08	100%	Through development planning applications
Arts and Culture		
1. Implementable plan submitted to Council for adoption by 30 June 2008	50%	Awaiting for implementation
2. 10 % Increase in participation by 30 June 08	100%	Arts and Culture competitions held in the month of September 2008
Cemeteries and Crematoria		
1. Feasibility study completed and submitted to Council for adoption by 30 June 2008	0%	None
2. Education programme implemented by 30 June 08	0%	None
Environmental Health		
1. Completed monthly programmes and submission of monthly reports		

5.1.4 Good governance and public participation

Planned outputs	Completed	Challenges and / or planned improvements
Integrated Development Plan		
1. IDP Process Plan approved	100%	Insufficient consultation with stakeholders
2. Aligned IDP, Budget and PMS for 2008 / 09	100%	
3. National and provincial priorities and sector departments projects included in 08/09 IDP	100%	
Public Participation		
1. Fullyfunctional ward committees by 30 June 08	100%	Vacancies in ward committees that need to be filled constantly
Co operative Governance		
1. Full compliance with the Act by 30 June 08	100%	Issues required from Mkhambathini With other departments have been complied.

5.1.5 Key Performance Area: Transformation and Institutional Development

Planned outputs	Completed	Challenges and / or planned improvements
Batho Pele		
1. 100% of the interventions implemented by 30 June	90%	Addressed the improvements
2. Obvious service delivery improvements implemented 31 Dec 08	90%	Resource limitations
Performance Management		
1 Revised Policy Framework submitted for approval 31 March 08	100%	
2. Revised SDBIPs submitted for approval by 31 March 08	100%	

3. Individual performance appraisals completed in line with approved policy framework and within one month of the close of the financial year	100%	
Human Resource Management		
1. Completed HR Audit by 30 Sept 08	100%	Co operation from all staff members
2. HR improvement interventions implemented by 30 June 08	100%	
3. Structure aligned to the organisational structure by 31 March 08	100%	
4. Completed Skills Development Review Plan by 31 July 08	100%	
5. Completed Employment Equity Plan by 30 June 08	100%	
6. All policies reviewed and updated by 30 June 08	100%	
Information Technology		
1. Effective ICT service in place throughout the year	90%	ICT System not conciliated, Lack of in-house HR Capacity
General Administration		
1. Procedure manual submitted for approval by 31 Dec 08	100%	
Committees		
1. Full compliance with approved procedures for each meeting	100%	
Registry		
1. Municipal filing system finalised by 30 June 08	100%	
Library		
1. Operational community resource centre by 31 Dec 08	90%	

Licensing		
1. Full compliance to the Transport Services Standards by 30 June 08	100%	

5.1.6 Key Performance Area: Financial Viability and Management

Planned outputs	Completed	Challenges and / or planned improvements
Budgeting and Reporting		
1. Approved and implemented budgeting and reporting policies by 31 Dec 08	100%	
2. Budget aligned to IDP and approved by 30 June 08	100%	
Income Control		
1. Set norm by 31 Oct 08	100%	
2. Revenue enhancement strategy developed by 31 Dec 08	100%	
3. 95% of bills collected per month by 30 June 08	90%	Affordability
Expenditure Control		
1. Acquired Creditors Module and approved Debt Settlement Policy by 30 June 08	100%	
2. Compliance by 30 June 2008	100%	
Supply Chain Management		
1. Policies and procedures developed by 31 March 08	100%	
2. 10% increase in contracts awarded to BEE companies	100%	
3. 3 business days for purchase of goods	100%	
4. 25 business days for the finalisation of the	85%	

tender process		
5. Set time frames for delivery at order date with the supplier	100%	

5.2 Service Delivery Highlights for the year ended 30 June 08

5.2.1 Community Services Department

- Reducing High incidents of HIV and Aids
- Improving business confidence
- Staff turnover and the resultant institutional memory
- Delivery of material related to earlychild-development (crèches) in all seven wards
- Delivery of Poverty Alleviation in all wards
- Formation of Youth Strategy Document Arts and Culture Competition held in September in all wards surrounding Mkhambathini were people had a chance to show off their talents, and the winner had to compete with finalists from District Municipality.
- Sports and Recreation talent searched in the communities and success teams will participate in our district level

5.2.2 Administration Department

- Set up new Learners License unit

- Centralized Municipal Records
- Workplace Skills Plan Developed and completed in-house
- Training interventions for ward committees done for all seven wards

5.2.3 Finance Department

- Internal Audit was done in relation with the Provincial Treasury
- Received an unqualified Audit
- Submission of MFMA (Section 71) reports timeously
- Alignment of Budget to the IDP

5.2.4 Technical Department

- Land Audit
- Rural Energy Study – Project Consolidate
- Informal Areas Water Supply Project – Project Consolidate
- Cemetery Feasibility Study – Project Consolidate
- Corridor Development: Tshani Rose Farm – Project Consolidate
- Corridor Development: Broiler Farm – Project Consolidate
- Development of Municipal Housing Plan
- Taxi stop shelters in all Wards of Mkhambathini Municipality
- Compilation of a Property Register and Preparation of a Municipal Valuation Roll
- Landscaping of the Municipal office premises

Ward 1

- Planning phase of Maqongqo Rural Housing
- Planning phase of Mbambangalo Rural Housing
- Renovation of Maqongqo Sports Field

Ward 2

- Makhalanjalo Crèche (R370 000.00)
- Upgrade of Ophokweni Sports field

Ward 3

- Planning phase of Low-cost housing – Stockdale
- Ezinembeni Crèche (R300 000.00)

Ward 4

- Planning phase of Low-cost housing
- Planning phase of Agri-Villages – Peshaya
- Planning phase of Affordable housing
- Planning phase of KwaNjobokazi Rural Housing
- Acquisition of SANRAL property for Mkhambathini Multi-purpose Community Centre (MPCC)
- Mkhambathini Sports Field (R 1 300 000)

Ward 5

- Thokozani Crèche (R300 000.00)
- Planning phase of KwaMahleka Rural Housing

Ward 6

- Kwenzokuhle Crèche (R300 000.00)

Ward 7

- Matigulu Crèche (R300 000.00)

5.3 Action Plan of Annual Report 07/08

ACTION PLAN FOR THE 2007 / 2008 ANNUAL REPORT AND THE OVERSIGHT PROCESS

Project milestones	Target dates	Responsibility	Comments
1. MANCO Approval			
1.1 Action Plan approved by MANCO	13/11/08	MANCO	
2. Annual Report framework developed			
2.1 Annual Report format and templates developed	17/11/08		
2.2 Templates disseminated for completion	17/11/08		
3. Completion of chapters			
3.1 Chapter 1: Introduction and Overview completed	14/12/08	Comms	
3.2 Chapter 2: Performance Highlights completed	14/12/08	MM	
3.3 Chapter 3: Human Resources and Organisational Management completed	14/12/08	Admin	
3.4 Chapter 4: Mkhambathini Service Delivery	14/12/08	All HOD	
3.5 Chapter 5: Audited Statements and Related Financial Information completed		CFO	
3.6 Chapter 6: Inputs to the Provincial Municipal Performance Report	14/12/08	All HOD	
3.7. Chapter 7: Report Of the Audit Committee	7/01/09	Audit Committee	
3.8 Collation of completed chapters	9/01/09		
3.9. Audit Committee Meeting	19/01/09		
3.10. Report from Audit Committee	23/01/09		

4. Finalisation of document			
4.1 Layout completed through desk top publishing	15/01/09		
4.2 Submit to MANCO for in principle approval	16/01/09	MANCO	

Project milestones	Target dates	Responsibility	Comments
5. Tabling and appointment of Oversight Committee			
5.1 Annual Report tabled and Council identifies non-executive councillors to serve on Oversight Committee	30/01/09	Council	
5.4 Advertise for public comments of annual Report	2/2/09-13/02/09		
5.5 Appoint Oversight Committee	30/01/09	MM	
6. Conduct Oversight Committee of Annual Report			
6.1 Orientate members of Oversight Committee	10/02/09	Oversight Committee	
6.2. Oversight Committee Meeting	24/02/09		
7. Finalisation of reporting process			
7.1 Write Report and place on Council agenda			
7.2 2007 / 2008 Annual Report adopted in terms of recommendations made in the Oversight Report	31/03/09	Council	
7.3 Copies of all documents submitted to the, the MEC, A-G and the Provincial Treasury.	31/03/09		

CHAPTER 6: MUNICIPAL PERFORMANCE REPORTING FRAMEWORK

Inputs into the Provincial Municipal Performance Report

1. Legislated Key Performance Indicators (KPIs)

No	Item	KPIs	Backlog	Concluding baseline measurement for 2006/07	Development targets for 2007 / 2008		Concluding baseline measurement for 2007 /08	Responsibility	Source of information/ Corrective Action	Audit of information	
					Delivery target	Budget target				Yes	No
1	Delivery Budget	Number of households with access to basic water						District Function			
2	Delivery Budget	Number of households with access to basic sanitation						District Function			
3	Delivery Budget	Number of households with access to basic electricity						District Function			
4	Delivery Budget	Number of households with access to basic solid waste removal						District Function			
4	Delivery Budget	Number of households earning less than R1100 having access to Free Basic Water						District Function			
5	Delivery Budget	Number of households earning less than R1100 having access to Free Basic Sanitation						District Function			

6	Delivery	Number of households earning less than R1100 having access to Free Basic Electricity								
	Budget						District Function			

7	Delivery Budget	Number of households earning less than R1100 having access to Free Basic Solid Waste Removal								
8	Delivery Budget	% municipality's capital budget spent on projects identified in the municipality's IDP (refer to KPI 35 below)	7 wards				80%	Internal/ R100 000 per ward for projects funded by National Treasury of which was a rdl over		
9	Delivery Budget	Number of jobs created through municipal LED initiatives (refer to no 8 in Questionnaire)	n/a				n/a			
10	Delivery Budget	Number of people from employment equity target groups employed in the three highest management levels in the municipality (consolidated figure) (refer to no 3 in Questionnaire)								
11	Delivery Budget	Number of women employed in the three highest management levels								

		in the municipality (consolidated figure)							
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12	Delivery	Number of people with disabilities employed in the three highest management levels in the municipality (consolidated figure)							
	Budget								
13	Delivery	% of the municipality's budget spent on implementing the work place skills plan (refer to KPI 18+ 19 below)							
	Budget								
14	Delivery	Financial viability 1 (refer to Amexure A)							
	Budget						HR		
15	Delivery	Financial viability 2 (refer to Amexure A)							
	Budget								
16	Delivery	Financial viability 3 (refer to Amexure A)							
	Budget								

2. Provincial Key Performance Indicators (KPIs)

No	Item	KPIs	Backlog	Conduding baseline measurement for 2006 / 07	Development targets for 2007 / 2008		Conduding baseline measurement for 2007 / 08	Corrective action	Source of information	Audit of information	
					Delivery target	Budget target				Yes	No
18	Delivery	Number of Councillors undergone leadership development training						HR			
	Budget						HR				
19	Delivery	Number of senior management (Section 57) undergone leadership development training									
	Budget										
20	Delivery	Number women councillors	2								
	Budget										
21	Delivery	Number women Mayors	1								
	Budget										
22	Delivery	Number of full time councillors appointed in relation to number approved by MEC									
	Budget						HR				
23	Delivery	% reduction in short term liabilities (next financial year) covered by cash (current year)									
	Budget										
24	Delivery	% reduction in short term debt (next financial year) covered by current revenue (current financial year)									
	Budget										

25	Delivery	Education in the percentage of long term liabilities as part of total revenue								
	Budget									
26	Delivery	% operating budget funded from cash								
	Budget									
27	Delivery	% improved cost recovery with respect to trading services: water								
	Budget						District Function			
28	Delivery	% improved cost recovery with respect to trading services: sanitation								
	Budget						District Function			
29	Delivery	% improved cost recovery with respect to trading services: electricity								
	Budget						District Function			
30	Delivery	% improved cost recovery with respect to trading services: refuse								
	Budget						District Function			
31	Delivery	% improved cost recovery with respect to trading services: other (state others by inserting appropriate lines)								
	Budget						District Function			
32	Delivery	% reduction in consumer/service debtors (as part of total billable income)								
	Budget									

33	Delivery	% allocation of the total municipal budget to implement projects that benefit beneficiaries of the Indigent Register (FBS, LED etc)							
	Budget								
34	Delivery	% of MIG budget spent							
	Budget								
35	Delivery	% of the capital budget (allocated to and) spent in strategic intervention areas of the Spatial Development Framework							
	Budget								
36	Delivery	% of municipal landfill volume licensed in terms of the relevant legislation and authority					Provincial Departments		
	Budget								
37	Delivery	Number of schools served with RDP level water (National Target = 2005)					Provincial Departments		
	Budget								
38	Delivery	Number of schools served with RDP level sanitation (National Target = 2005)					Provincial Departments		
	Budget								
39	Delivery	Number of clinics served with RDP level water (National Target = 2007)					Provincial Departments		
	Budget								

40	Delivery	Number of clinics served with RDP level sanitation (National Target = 2007)								
	Budget						Provincial Departments			
41	Delivery	Number bucket sanitation systems eradicated (National Target = December 2007)								
	Budget						Bucket System no longer in use			
42	Delivery	Number of households with access to formal housing (National Target = 2014)								
	Budget									
43	Delivery	Number of ward committees established								
	Budget		7							
44	Delivery	% ward committees functional								
	Budget		7							

3. Impact performance indicators

No	Item	KPIs	Backlog	Conduding baseline measurement for 2006 / 07	Development targets for 2007 / 2008		Conduding baseline measurement for 2007 / 08	Corrective action	Source of information	Audit of information	
					Delivery target	Budget target				Yes	No
45	Delivery	% improvement in attendance at ward committee meetings						Ward C ommittees wer e established in September 2006.			
	Budget										
46	Delivery	% increase in customer satisfaction with municipal service delivery (infrastructure)									
	Budget										
47	Delivery	% increase in customer satisfaction with municipal LED delivery									
	Budget										
48	Delivery	% increase in customer satisfaction with municipal good governance									
	Budget										
49	Delivery	% increase in internal (officials) satisfaction with municipal good governance									
	Budget										

4. Compliance check

No	Item	Standard indicators	In place	In process	No progress	Corrective action	
1	Core administrative policies, plans, procedures, systems and frameworks developed in municipalities	Legally compliant Employment Equity Plan	yes				
		Workplace Skills Plan (staff other than Section 57)	yes				
		Recruitment Policy	Yes				
		Legally compliant Supply Chain Management Policy	Yes				
		Budget Policy	Yes				
		Indigent Support Policy	Yes				
		Credit Control and Debt Collection Policy	Yes				
		Bank and Investment Policy	Yes				
		Asset and Liability Management Policy	Yes				
		Tariff Policy	Yes				
		Risk Management Policy	Yes				
		Revised bylaws	Yes				
		Standard Operating Procedures and Administrative Delegations	Yes				
		Anti-corruption Strategy and Structures	Yes				
		Internal and Financial and Performance Auditing structures and systems	Yes				
2	Competency Framework	Public Consultation and Participation Framework	Yes				
		Competency framework developed for the Administration	Yes				
3	Implementing organograms	Competency Framework developed for the Council	Yes				
		Approved organogram	Yes				
		Municipal organogram aligned to allocated and assigned powers and functions	Yes				
		Total number of posts: a) on organogram b) vacant on 30 June 2007 c) for Section 57 employees	Numbers	a) b) 10 c) 5			
		Municipal Manager post filled as at 30 June 2007	Yes				
		Municipal Manager post occupied by a PDI					
	Municipal Manager post occupied by a woman	No					

	Implementing organograms (continued)	Senior management (Section 57 only) posts filled on 30 June 2007 (not acting and not suspended)		Filled	Vacant	Advertised	
			Municipal Manager	Yes			
			Performance Management	Yes			
			Financial Management	Yes			
			Technical Services Local Economic Development	Yes Yes			
			Community Services	Yes			
			Corporate Services	Yes			
			Development Planning				
		Number of Section 57 posts occupied by PDI	Numbers exclude the Municipal Manager position	Number	4		
		Number of Section 57 posts occupied by women		Number	2		
Number of Section 57 posts occupied by people with disabilities	Number	n/a					
Number of Section 57 employees who concluded and submitted Performance Agreements		Number	5				
4	Financial management	Revenue Raising Strategy developed				The municipality has a tariffs policy in place and is currently developing a revenue raising strategy	
		Ratio of Operations and Maintenance, Salaries and Capital Budget	Operating 25 209 819	Capital 19 689 200	Salaries 8 486 273		
		Grant dependency ratio	Own income 5 234 611	Equitable share 9 798 036	Grants 4 159 001		
		Debt Recover Plan developed				The municipality has a debt collection policy in place and this policy is implemented and being adhered to.	
		Approved budget by end of June				Budget for the year 2008/2009 was approved prior to June 2008	
		Service Delivery and Budget Implementation Plan approved by July				Service Delivery and Budget Implementation Plan approved prior to July 2008	
		Submission of Annual Financial Statements to the Auditor-General by August				Annual Financial Statements submitted to Auditor General on the 29/08/2008	
		Results of Auditor- General 2005 / 06 audt	X				

		Functional billing system in place	Yes		The abacus system is used for all billings
5	Municipal Property Rates Act	Property Rates Policy			
		Valuation Rde			

6	Basic Services	Backlog study completed and verified by Statistics South Africa			
		Municipal Infrastructure Implementation strategy for 5 years			
		Indigent Register			
		Housing Strategy to eradicate informal settlements			
7	Good governance	Consultation and Public Participation Framework in place			
		Customer Complaints System in place			
		Traditional leadership consultation and participation programme			
		Conducted customer satisfaction surveys			
		HIV / Aids strategy developed			
		Adopted Community Development Worker Frameworks			
		Adopted Section 53 Framework in terms of the Municipal Systems Act adopted by Council			
		District Coordinating Forum established and operational	Yes		
		District Technical Forum established and operational	Yes		
		2005 / 2006 Annual Report adopted	Yes		
		2005 / 2006 Annual Performance Report adopted	Yes		
		Council adopted 2005 / 2006 Oversight Report	Yes		
		Functional Audit Committee	Yes		
		Functional Performance Audit Committee	Yes		
8	Local economic development	IDP adopted by end of June	Yes		
		LED Programme developed			
		Poverty Alleviation Programme adopted			

CHAPTER 7 : Report of the Audit Committee

AUDIT COMMITTEE PERFORMANCE REPORT TO COUNCIL FOR YEAR ENDED 30th JUNE 2008

1. Introduction

The members of the Audit Committee for the year 2007-08 were:

- Mr A Jordan
- Mr R Dlamini
- Mr R Bowyer - Chair

Unfortunately Mr Dlamini did not attend any meeting during 2007-08.

Let first of all add my congratulations to the Mkhambathini Local Municipality attaining an unqualified report on the financial statements for the year ending 30th June 2008 and being in compliance with the Local Government Municipal Finance Act by tabling the Annual Report by 31st January 2009.

Therefore, despite having tabled the Annual Report timeously and obtaining an unqualified report it is the audit committee's opinion that, as with many municipalities that have received unqualified audit reports, there is still much to do and achieve in the conduct of local government business under the jurisdiction of Mkhambathini Municipality.

2. Audit Committee Meetings

Last year we had four meetings of the Audit Committee and two special meetings. The special meetings were held for the purpose of tabling the Annual Report for 2006-07 and the oversight committee respectively. Whilst we understand the tight deadlines and pressures that some municipal officials work under, we drew the attention of management to certain weaknesses:

- (a) prior notice to audit committee meetings and timely receipt of minutes of past meetings, and
- (b) proof that the minutes of audit committee meetings was being tabled at Exco meetings.

To date this has not materialised.

3. Performance Management System

In the oversight report on the 2005/06 annual report, reference was made to performance of Section 57 Managers and the payment of bonuses. At that time the audit committee had not been given adequate information to enable them to carry out responsibilities in regard to giving an opinion on the performance of Section 57 Managers appointed to the Mkhambathini Municipality for the periods stated. Consequently the audit committee could not make any recommendation for the payment of any bonuses for that year.

Regrettably the audit committee must again raise concerns about performance management, measurement of performance and compliance with legislation. To date the audit committee has not received sufficient appropriate evidence to be satisfied that the relevant performance information and accepted related systems, processes and procedures have been carried out in terms of:

- (a) Government Gazette R796 dated 24/08/2001 and the Performance Management Regulations covered therein, and
- (b) Notice R.805 "Local Government: Municipal Performance Regulations For Municipal Managers directly Accountable To Municipal Managers, 2006" dated 1st August 2006.

It appears that further regulations have now been issued. General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 as read with section 45 of the Local Government Municipal Systems Act is also relevant. These are the latest regulations on how the performance of municipal managers will, in future, be uniformly directed, monitored and improved.

The Audit Committee has not seen any evidence that the Mkhambathini Municipality appointed a performance audit committee, neither was the audit committee utilized as the performance audit committee in terms of the above stated

regulations. Furthermore the Internal Audit Procedures Report, prepared by the external service provider, did not include evidence to show that the required performance management was carried out as per the relevant regulations. Therefore it is the opinion of the Audit Committee that the Paragraph 5.2 of the Internal Audit report that:

“ the Performance Management system was tested against the municipal mechanisms, performance reporting, and no known weaknesses have been identified within the current performance management system ”

is not evidence that the appropriate performance measurement, assessment and rating of Section 56 and 57 officials was properly carried out. To further illustrate this point the Audit Committee has not seen performance documents such as:

- (a) consolidated rating sheets, showing both the Municipal Manager's rating and the Manager's own rating (and in the case of the Municipal Manager, the Mayor's rating) to give a consolidated score,
- (b) with regard to certain KPI's, there is no indication that KPI's were completed according to time frames set out and whether targets were met and reasons given for time variances etc.
- (c) there is no indication of how scoring was evaluated and whether this was independently assessed.

Accordingly it is our duty to refer this matter to the Oversight Committee.

4. Internal Audit

In the previous year's annual performance of the Audit Committees, concerns were raised as to why the Audit Committee had not been involved in the supply chain management process with regard to the appointment of the Internal Audit. Unfortunately we had to raise the same concerns about the appointment of the service provider that carried out the internal audit function in the 2007-08 financial year.

Furthermore, in regard to the future function of internal audit we strongly recommend that serious consideration be given to referring this matter to the next Umgungundlow's CFO's forum:

“The Local Government Municipal Finance Management Act 2003 states that:

Each municipality must have an Internal Audit Unit. This function may be outsourced and/or be part of a shared service centre arrangement, if the municipality has determined that this is more feasible or cost effective.

The internal audit unit of a municipality must-

- a) prepare a risk-based audit plan and an internal audit program for each financial year;
- b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to-
 - i. internal audit
 - ii. internal controls
 - iii. accounting procedures and practices
 - iv. risk and risk management
 - v. performance management
 - vi. loss control; and
 - vii. compliance with this Act, the Division of Revenue Act and any other applicable legislation; and
- c) perform such other duties as may be assigned to it by the accounting officer.

Primarily the responsibility of Internal Audit is to examine systems of control. Internal Audit is a continuous audit of the municipality and is closely aligned with internal control and internal check procedures, comprising the whole system of controls and methods both financial and otherwise, which are established to:

- 1) safeguard its assets;
- 2) ensure reliability of records;
- 3) promote operational efficiency;
- 4) monitor adherence to policies and directives; and
- 5) prevent fraud.

In an attempt to determine the risk of error and fraud, internal audit is also aligned to the concept of risk management. Therefore, as part of their responsibility Internal Audit have to design a Risk Management Plan as well as a Fraud Prevention Plan”.

In the spirit of “Intergovernmental Relations” and In terms of the Local Government Municipal Structures Act, there should be co-operation between district and local municipalities. A district municipality and the local municipalities within its area should co-operate with one another by assisting and supporting each other.

Accordingly it is the Audit Committee’s recommendation that every effort should now be made to follow the shared service concept and either set in motion the process to appoint:

- (a) Umgungundlovu District Municipality “shared” Internal Audit Service, or alternatively
- (b) Shared Internal Audit Service with Mkhambathini Municipality sharing this function with one or more neighbouring local municipalities.

Following this it is recommended that the same process be followed in respect of the Audit Committee function. This would mean that there would be a larger pool of expertise available to the recipient municipalities and the function would be more cost effective. If Umgungundlovu District Municipality had both a “shared” internal audit function and audit committee it would be a “Win Win” situation for all municipalities in the region.

5. Audit Committee Performance

It can be accepted that the “depleted” audit committee has possibly not devoted more time to its duties. However at the same time it must also be recognised that the two remaining members have been working more than the normal eight hours in the working day, in carrying out their daily tasks connected with their respective employment and vocations. In addition both members are serving on other municipal audit committees. Consequently the further exposure to the workings of other audit committees has added further benefits to the Mkhambathini Municipality Audit Committee. In this respect the Mkhambathini Municipality has received assistance in other ways such as being given financial policy formats for them to tailor make to their needs. Unfortunately the exposure to the workings of other public bodies has also brought to light other shortcomings. For instance in the award of a

particular tender it appears that certain contract documents could not be located and the investigating team concerned are still waiting for these important documents to be produced. It will be noted that the Auditor General, in his report, also made reference to contracts, and this is one area of Mkhambathini Municipality business that will require close scrutiny in future.

6. Summary

From this report it may be concluded that the writer has been negative in the way that many of the above issues have been highlighted. However please refer to our oversight responsibilities as an Audit Committee. Compliance is a key factor in any organisation and none moreso, in the responsibility that we have to reporting independently to the community of Mkhambathini. Therefore we cannot simply act as a “rubber stamp” and it is our hope this report will continue to facilitate the sound conduct of local government business of Mkhambathini Municipality.

To conclude we congratulate the Mkhambathini Municipality on the production of their second Annual Report. Given the opportunity, we look forward to making a further contribution in having Mkhambathini Municipality, placed well and truly on the local government map and continue in assisting them in making the principles, enshrined in “Batho Pele”, become even more of a reality.

Thank you

R. W. Bowyer

Chairman of Audit Committee

Mkhambathini Local Municipality

CHAPTER 8: Report of the Auditor General

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MKHAMBATHINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Mkhambathini Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages X to XX.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Mkhambathini Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the Mkhambathini Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA and DoRA.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Material non-compliance with applicable legislation

11. The municipality did not comply with the circular 13 of the MFMA, as the municipality did not submit a separate report of each contract above R 100 000 to National Treasury within the required timeframe.

Matters of governance

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

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.	✓	
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA.	✓	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated	✓	

Matter of governance	Yes	No
deadlines in section 126 of the MFMA.		
<ul style="list-style-type: none"> The annual report was submitted to the auditor for consideration prior to the date of the auditor's report. 		✓
<ul style="list-style-type: none"> The financial statements submitted for audit were not subject to any material amendments resulting from the audit. 		✓
<ul style="list-style-type: none"> No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management. 	✓	
<ul style="list-style-type: none"> The prior year's external audit recommendations have been substantially implemented. 	✓	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007. 	✓	
<ul style="list-style-type: none"> The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP. 	✓	
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008. 	✓	

Unaudited supplementary schedules

12. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages x to xx does not form part of the financial statements and is presented as additional information. Accordingly, I do not express an opinion thereon.

13. The supplementary information, set out as Appendix A to G on pages x to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

14. I have reviewed the performance information as set out on pages xx to xx.

Responsibility of the accounting officer for the performance information

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

Responsibility of the Auditor-General

16. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

17. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

18. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

APPRECIATION

19. The assistance rendered by the staff of the Mkhambathini Municipality during the audit is sincerely appreciated.

Pietermaritzburg

28 November 2008



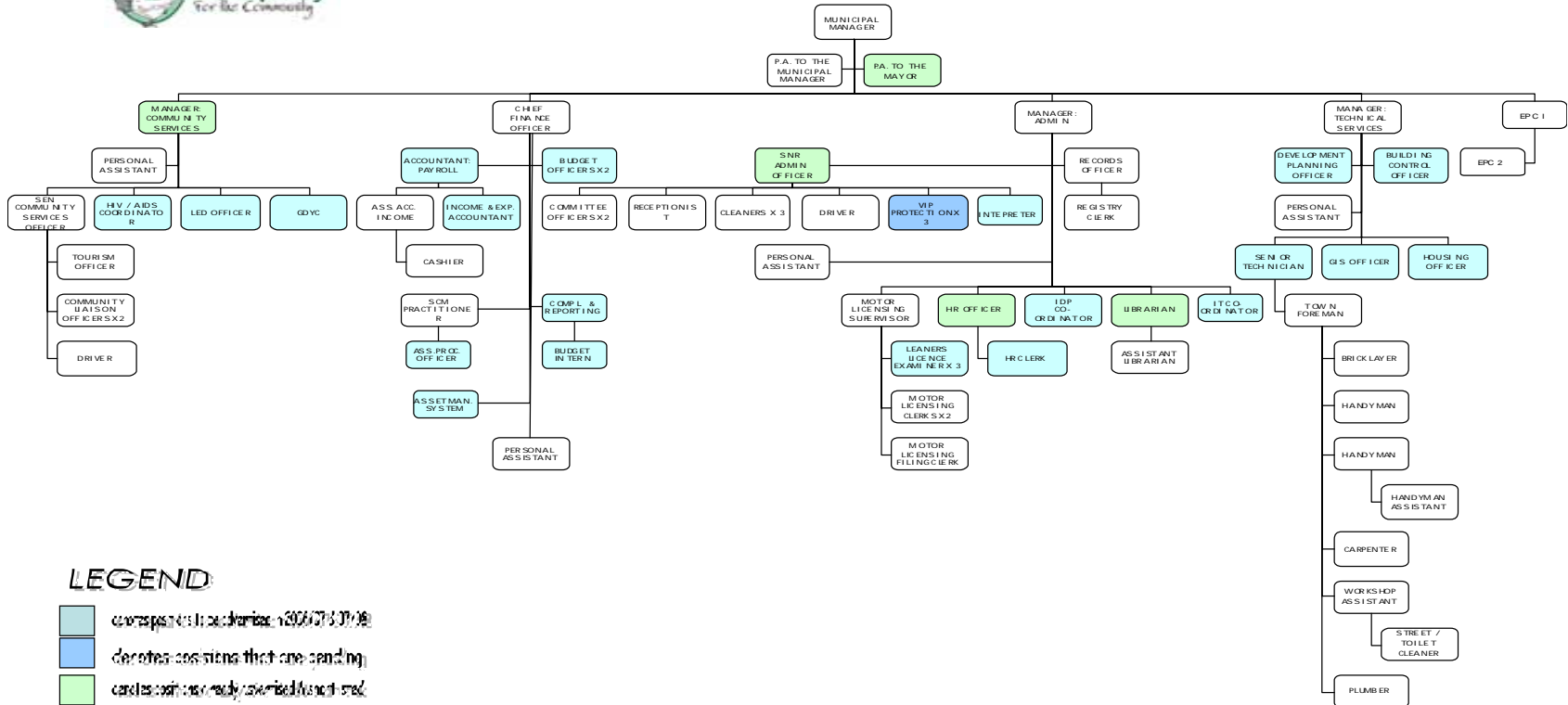
List of References

1. uMgungundlovu District Municipality Integrated Development Plan
2. Integrated Development Plan Guide Pack
3. Annual Reports of Numerous Municipalities
4. Policy Framework for managing Performance in the uMgungundlovu District Municipality
5. uMgungundlovu District Performance Management System
6. uMgungundlovu District Municipality Client and Quality of Life Survey
7. Relevant Legislation and Policy Directives

Annexure "A"



ORGANISATIONAL STRUCTURE



LEGEND

- denotes positions to be advertised (2006/07/03/09)
- denotes positions that are pending
- denotes positions already advertised for

