ULUNDI MUNICIPALITY

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2009

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1. The annual financial statements compiled and submitted to the Auditor General in terms of sec. 122.
2. The Auditor General's Audit Report in terms of sec.126 (3) on those annual financial statements.
4. the Auditor General's Audit Report in terms of sec.45 (b) of the Systems Act
5. An assessment by the Accounting Officer of any arrears on municipal taxes and service charges.
6. An assessment by the Accounting Officer of the municipality's performance against the measurable performance objectives referred to in sec. 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year.
7. Any corrective action taken or to be taken in response to the comments contained in the Audit Report.
8. Any explanations that may be necessary to clarify issues in connection with the financial statements.
9. Any information as determined by the municipality.
10. Any recommendations of the municipality's audit committee.

ATTACHMENTS:
1. Purpose

With effect from 2006/2007 financial year, Ulundi Municipality as a low capacity municipality has an obligation to comply with sec.121 of the Municipal Finance Management Act, Act 56 of 2003. The rational and purpose, as outlined in sec.121 (2) of the Act, is to provide a record of the activities of the municipality, to provide report on the performance of the municipality in compliance with sec.46 (1) of the Systems Act, Act 32 of 2000. The aim hereof is to promote management transparency and accountability to Council, treasury, the Auditor General, the MEC for Local Government and Traditional Affairs and the local communities for the milestones, failures and strides made against the measurable targets, as set for the year.

This draft report contains inter alia, information as disclosed in the financial statements for the year under review, matters captured in the final Management Report on the Regularity Audit and the Review of the Performance Information of the municipality and possible measures to address the short-comings in the Report.

2. Preparation and adoption

In keeping with to sec.121 of the Municipal Finance Management Act, 56 of 2003, every municipality must for each financial year prepare an annual report in accordance therewith. Sec. 121 further states that the Council of a municipality must within 9 months after the end of a financial year deal with the annual report of the municipality. This draft report serves to fulfill an obligation made to the AG come up with a draft Annual Report to indicate matters to possibly go into the final report, for purposes of disclosure to the AG. The final Annual Performance Report to also contain inter alia, the information regarding performance assessments of section 57 Managers, will serve before Council within one month of receiving the Audit Report, to be in line with sec. 46 of the Systems Act.

As a transparent local authority, written notices shall be conveyed to the AG, the MEC and the community, giving notice about the tabling of the Annual Performance Report and the Annual Report before Council respectively.

The 9 month after the end of the financial year period within which the report must be tabled before Council expires at the end of March every year. If fact this report will serve before the Executive and Finance Committee on 25 November 2009 and before Council on 15 December 2009. The comments of the AG in the Audit Report will be integrated accordingly. The final report tabled before Council will be made available to the enumerated authorities listed supra.
For purposes of completeness the following breakdown of sec. 121 is a must and is as follows:

Sec 121(3) states that the annual report must include:

11. The annual financial statements compiled and submitted to the Auditor General in terms of sec. 122.
12. The Auditor General’s Audit Report in terms of sec. 126 (3) on those annual financial statements.
14. The Auditor General’s Audit Report in terms of sec. 45 (b) of the Systems Act.
15. An assessment by the Accounting Officer of any arrears on municipal taxes and service charges.
16. An assessment by the Accounting Officer of the municipality’s performance against the measurable performance objectives referred to in sec. 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality’s approved budget for the relevant financial year.
17. Any corrective action taken or to be taken in response to the comments contained in the Audit Report.
18. Any explanations that may be necessary to clarify issues in connection with the financial statements.
19. Any information as determined by the municipality.
20. Any recommendations of the municipality’s audit committee.

In terms of sec. 46(1) of the Systems Act a comparison must be drawn between the current year’s performance and the previous year’s and the development and service delivery priorities set by the municipality for the following financial year. And general measures, as alluded to, to improve performance.

1. THE ANNUAL PERFORMANCE REPORT

The performance management system of Ulundi Municipality for 2008/2009 was developed to comply with and is in line with the following legal provisions:

3. The Municipal Structures Act, No 117 of 1998, as amended
4. The Municipal Systems Act, No 32 of 2000, as amended
5. The Municipal Structures Amendment Act, No 33 of 2000
6. The Municipal Planning and Performance Regulations, gazette in August 2001
7. The Municipal Finance Management Act, No 56 of 2003
8. The Municipal Performance Regulations for Municipal Managers and Managers reporting to the Municipal Manager, gazette in August 2006

Importantly the OPMS of Ulundi Municipality for 2008/2009 in keeping with sec. 26 of the Systems Act, as amended the IDP of the municipality remains the chief documents to inform on activities and developmental priorities as streamlined in the performance management system of the municipality. The core components as outlined in sec.26 read with sec. 35(1) are embraced in the OPMS of the municipality. The IDP remains the instrument which guides all planning and development in the municipality.

The integration of the IDP and the budget through the inclusion of, especially, all capital projects in the budget made it possible for such included items in the key performance indicators to have credence and to be realistically achievable.

The Organizational Performance Management System with key deliverables is key herein. However a PMS that does not provide for linkages between the 5 National Key Performance Areas; namely, Infrastructure and Services Delivery, Good Governance Public Participation, Social and Economic Development, Financial Viability and Institutional Development. For the first time ever in 2006/2007 the Organizational Performance Management System of Ulundi was credible in that it complied with the Guidelines on Performance Management issued by DLGTA as a guide to all municipalities in KZN. In 2007/2008 this compliance was maintained through the application of the same document with a reviewed SDBIP for 2007/2008. Again in 2008/2009 the OPMS followed the compliance patens by maximizing return on management through the following components that were used to direct managers and Council on what to do on a daily basis:

1. The document provides a high level overview of the contents of the OPMS
2. It maps out all legislative imperatives as outlined here-above
3. It outlines the critical success factors
4. It provides the Framework which provides a precursor to the document
5. It contains the policy, which enshrines the elements and facets of performance and procedure and practice of performance management. The Policy identifies stakeholders, reporting frequencies and lines of accountability. It also establishes structures to monitor, review and assess performance in 2008/2009 as follows:

   The IDP Representatives Forum (fully operational)
   The IDP Steering Committee (fully operational)
   The Internal Audit Unit (not operational)
The Audit Committee (not operational)  
The Performance Assessment Committee (operational)  
The role of Exco and Council in the review and monitoring of performance.

6. Performance by contract is made a must; therefore it answers the following legal imperatives with the affirmative:

5.1 The sec. 56 of the Systems Act’s conclusion of Employment and Performance Agreements  
5.2 It provides for departmental Performance Plans, through which Departmental heads take responsibility to work towards the attainment of key performance indicators  
5.3 It responds with the affirmative to a requirement of Circular 13 regarding quarterly review of performance by means of the Service Delivery and Budget Implementation Plan

This continued compliance and credibility are possible due to the linkage between the National Key Performance Areas that are set by the National Government with the IDP of Ulundi for 2008/2009. In a sequence the IDP is linked with 2008/2009 budget estimates. These departmental PMS undertakings will be assessed on the basis of whether managers were able to fulfill their obligation measurable though their objectives, performance target and key performance indicator.

The Key Performance Indicator, which identifies the type that Key Performance Indicator was, the time frame to achieve that deliverable, the overall budget implication and the committed budget for 2008/2009 and the responsible department are a feature that make development planning a success in Ulundi.

The Municipal Manager and the HOD’s had a responsibility to deliver the programs contained in the Performance Plans and the SDBIP, as entailed in the concluded Performance Agreements in terms of sec. 57 (1) (b), (4A), (4B) and (5) of the Systems Act. Sec 57(1) (a) places an obligation for a sec. 57 Manager to conclude a separate Performance Agreement, as alluded to above, that is reviewed annually. Sub- Sec. (4A) states that the provisions of the MFMA conferring responsibilities on the Accounting Officer must be regarded as forming part of the municipal manager’s agreement. Sub-Sec (4B) regulates the conditions under which the bonuses for outstanding performance may be awarded at the end of the financial year only once the performance of a municipality (per department) has been assessed. (5) explains that the objectives and targets must be practical, measurable and based on the key performance indicators. The above information is entrenched in clause 1 titled “PURPOSE OF THE AGREEMENT” of the Performance Agreements of sec. 57 managers concluded for 2008/2009.
In essence in the 2008/2009 financial year there was an approved functioning performance management system.

The performance assessment for Section 57 Directors was concluded. The qualifying directors included:
- The Municipal Manager;
- The Director of Corporate Services; and
- The Director of Community Services.

The Chief Financial Officer and the Director of Protection Services were excluded from the assessment process due to the condition that performance bonuses are only concluded on Directors who have served in the post for the full financial year.

The Technical Services Department was not assessed because the manager is not a Section 57 Director. It should be noted that the filling of this post will be catered for in the adjustment budget in terms of Section 28 of the MFMA.

The first Performance Committee members comprised of
- The Municipal Manager of Ulundi Municipality;
- The Municipal Manager of Vryheid Municipality;
- A member of the Audit Committee, Mr. Ndwandwe.

The outcome of the assessment was as follows:

The Director of Corporate Services was awarded a performance bonus of 12% of the full annual remuneration package. The calculation of this bonus was based on results achieved of 148 points out of a total of 156 available in the key performance area of the assessment, and 90 points out of a total of 100 in the Core Managerial competency area of the assessment. The total score achieved in terms of the 2006 regulations was 136.

The Director of Community Services was awarded a performance bonus of 10% of the full annual remuneration package. The calculation of this bonus was based on results achieved of 141 points out of a total of 156 available in the key performance area of the assessment, and 80 points out of a total of 100 in the Core Managerial competency area of the assessment. The total score achieved in terms of the 2006 regulations was 113.

The Performance Bonus awarded to the Municipal Manager was calculated based on the average of the bonuses awarded above and this was calculated at 11%.

It should be noted that in terms of the Regulations promogated in 2006, the maximum performance bonus is restricted at 14%.
3. DEFICIENCIES

The following deficiencies regarding performance are hereby acknowledged and will be addressed in the 2009/2010 financial year:

While departmental reports were submitted to the Executive and Finance Committee on a monthly basis, the quarterly reports on management performance and performance of the service providers were not submitted. This is being addressed in 2009/2010.

There were few instances where some departments allowed employees to work excessive overtime hours, this is being addressed as well.

Although Council, through the Executive and Finance Committee and the Portfolio Committees and Council there was oversight, the municipality has gone a step further by establishing the SCOPA. This will enable Council to have a mechanism to monitor and supervise the administration and the executive.

However it is imperative that a mention is made that Council and Council structures did provide oversight as follows:

1. Council conducted 4 Ordinary meetings and 7 Special Meetings (The obligation is 4 meetings)
2. The Executive and Finance Committee conducted 15 Ordinary meetings and 12 Special meetings (the norm in terms of the Structures Act in 12)
3. The Community Services Portfolio Committee conducted 22 meetings.
4. The Technical and Infrastructure Portfolio Committee 8 meetings
5. Planning and Economic Development 5 meetings
6. Tourism Committee 5, and
7. The newly established Protection Services Portfolio Committee held 3 meetings.

4. REPORT ON THE PERFORMANCE OF SERVICE PROVIDERS

The composite list of service providers who did business with and for the municipality in the year 2008/2009 financial year is attached herewith. A brief overview of performance of service providers as required by sec.46 (1) (a) of the Systems Act shall be addressed here-below. However it is imperative to begin by assessing the contribution made by the municipality to Historically Disadvantaged Individuals, local content women expressed as a number and percentage:
In the 1st quarter:

8 Bids were awarded  
Total value: R9, 721,422.16  
HDI: R9, 721,422.16 =100%  
Local content: R1, 260,966.4 =13%  
Women: R351, 603,20 =4%

In the 2nd quarter:

5 Bids were awarded  
Total value: R12, 958,069.24  
HDI: R12, 958,069.24 = 100%  
Local content: R6, 059,815.24 = 47%  
Women: 306,000.00 = 5%

In the 3rd quarter:

3 bids were awarded  
Total value: R1, 014,183.00  
HDI: R820, 795.50 =81%  
Local content: R386, 775.00 = 38%  
Women: R627, 408.00 = 62%

NB. In this regard Council will recall that an Unsolicited Bid was proposed to Council regarding Smart Meter Technology, which prompted Council to advertise a bid regarding Smart Meters. A successful bidder was Ntuthuko (PTY) LTD. It is now history that this service provider failed dismally to come through, citing repudiation by DBSA to fund their venture. It was reported to Exco previously that Messrs Ntuthuko were refused a request that they made in terms of sec. 48 of the MFMA to be given Security in the form of an amount of R1,2 million monthly.

It is an understatement to say that Council could have been crippled by this. And when management were uneasy about this and consulted treasurer. Treasure advised that Council should re-advertise this bid and follow all MFMA steps as this would be tantamount to a long term debt. Therefore the involvement of the community was required. Ntuthuko are therefore the worst performing service provider since they did not perform at all. Fortunately no money was paid out to them and the contract has since been terminated.

In the 4th quarter: