

# UMHLABUYALINGANA LOCAL MUNICIPALITY (KZ 271)

Picture attached

## DRAFT ANNUAL REPORT 2010/11

UMHLABUYALINGANA LOCAL MUNICIPALITY

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## **MAYOR'S FOREWORD**

Mayor's Picture Attached

In his state of the Nation address on the 3<sup>rd</sup> of June 2009 to the joint sitting of parliament, the President of the Republic of South Africa emphasized and urged all political leaders and public officials to collaborate in ensuring that the Medium Strategy framework 2009-14(MTSF) priorities are implemented adequately. The Department of Cooperative Governance and Traditional Affairs prioritized five out of the ten, that is:

1. Building the developmental state in provincial and local government that is efficient, effective and responsive;
2. Strengthen accountability and clean governance;

3. Accelerating service delivery and supporting the vulnerable;
4. Improving the development capability of the institution of traditional leadership; and
5. Fostering development partnerships social cohesion and community mobilization.

Sadly, uMhlabuyalingana local municipality despised the call from the President through gross maladministration, poor political oversight and adverse financial management which ultimately rendered the municipality insolvent as it could not pay its creditors and salaries of the employees. The performance management system was, at the time almost non-existent thus making it mission impossible to achieve the above reasonable priorities of the MTFS 2009-14.

During the year under review, the Municipality was still under administration as per provincial cabinet resolution to intervene in the affairs of the municipality through section 139(1)(b) of the Constituion. Considerable progress was made during this tenure, however due to the depth of the damage which was already in place, there is still a lot to be done with the present management and political leadership to bring the situation to normality.

We are proud that the province has intervened, but owe it to the people of uMhlabuyalingana to explain what exactly happened, what damaged was caused, how do we intend to turn the cog and make them to enjoy the benefits of being citizens of uMhlabuyaingana and then identify themselves with the Municipality. This means hard work, dedication, passion and a comprehensive and contextual definition of service delivery I for uMhlabuyalingana in the next financial year.

On the basis of the above, I therefore make this report available to the public for comments and input in shaping uMhlabuyalingana to be the best, and never to return to the undesirable state it has enjoyed in the previous years.

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**Cllr. T.S Mkhombo**

**Mayor uMhlabuyalingana**

## CHAPTER 1: Introduction

uMhlabuyalingana is a local Municipality(3621 KM<sup>2</sup>), under uMkhanyakude District which is approximately 12000 square metres in total, situated in the far North of KwaZulu Natal. According to information available from survey conducted by Statistics South Africa, which is subject to change due to current census exercise, this municipality has a population of 163 692 and is one of the most impoverished areas with high rate of unemployment, especially amongst youth.

The Municipality has 17(seventeen wards) spread across four Traditional Councils of Kwa Ngwanase, Mashabane, Mabaso and Mbila. The type of soil in the area is sandy, thus making it extremely difficult to grow crops. The only crops which are compatible with the soil include cassava, sweet potatoes and ground nuts.

uMhlabuyalingana , a corridor municipality to Mocambique,is mostly characterized by untapped and well protected natural resources which enhances its potential for ecotourism as illustrated in figure 1 below. Tourists visit the area in numbers per annum, in particular iSimangaliso World Heritage Site as well as eZemvelo KwaZulu Natal, to witness the pristine environment. It is however unfortunate that due to the absence of spatial development framework and an appropriate Land Use Management System in the area, especially during the period of the review inhabitants, in particular informal traders of this municipality are not optimally benefiting from the income which would otherwise be spent by the passing by tourists if there was a conducive environment for them to trade. The town of Manguzi is currently characterized by illegal structures within the road reserve, poor refuse collection system thus rendering the town unattractive to investors.

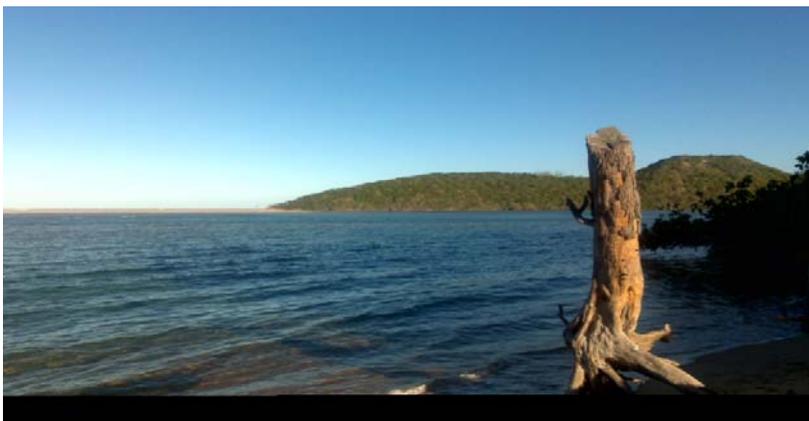


Figure 1: Pristine fresh water lake system (Coastal Forest Reserve-Kosi Bay)

## CHAPTER 2: Municipal Manager's overview

Municipal Manager's Picture attached

### 2.1 Background

During the year under review (2010/11) the municipality was placed under section 139 (1) (b) of the Republic of South Africa. The administrator was appointed in December 2009 and accomplished his task in June 2011. Whilst this annual report deals with 2010/11 it is imperative to provide an abridged indication of general performance of the Municipality, especially in the 2009/10 financial year as well as concerns raised by Auditor General (AG) in the same year. It is also worth noting that the challenges which the municipality was facing in 2009/10, which led to the qualified opinion in the same year, culminated from the abdication of leadership and management responsibilities thus rendering the municipality derelict, hence although considerable progress has been made to resolve some of the concerns, there is still a considerable amount of work to be done in the ensuing years to resolve the majority of the concerns raised. The Provincial Cabinet resolved to intervene in this municipality in December 2009 with an express intent to remedy the situation for the benefit of the people of uMhlabuyalingana and restore the dignity of both the municipality as well as that of the Government in general. Amongst a number of material defects impeding the ability of the municipality to deliver on basic services to the people of uMhlabuyalingana, the province sought to address the following:

1. Lack of documentation to support expenditure;
2. Lack of reconciliation between fixed asset register and general ledger;
3. Lack of creditors reconciliation;
4. Staff compliment which was exceedingly above the required benchmark norm of 35%, given the size of the municipality, of the operating budget;
5. Integrated development plan with gross shortcomings;
6. Serious financial viability threat due to fruitless, wasteful and irregular expenditure; and
7. Unavailability of performance management system.

To date substantial progress has been made to address the above. It is however imperative to note that most of the challenges, given the late appointment of the Municipal Manager and the CFO, are still being addressed. In order to give a comprehensive account of the status quo as at the end of the financial 2010/11 year, progress report will be provided on at least each matter raised above in the table below. The draft Annual financial statements attached as **appendix A** in this report can be referred to for ease of reference on some, if not all, of these issues.

Table A: 2010/11 Progress report on concerns raised in 2009/10

Concern	Progress made to date
1.Lack of documentation to support expenditure	Resolved
2.Lack of Reconciliation between fixed assted register and general ledger	PWC has been appointed to address the matter, 2010/11 AFS have taken this into consideration, hence the matter is resolved
3.Lack creditors reconciliation	Resolved
4.Staff compliment which exceeds the required benchmark norm of 35% of the operating budget	This matter has been partially resolved in 2010/11 when budgeting for 2011/12 was prepared. Unfortunately it is not practically possible to reduce employee’s salaries whose scales are not in accordance with either the SALGA salary scale or the TASK system, hence this problem will remain with the municipality until the affected staff members leave the municipality. There is also an organogram review which is due to be approved in this financial year wherein some posts may be merged, i.e. Corporate and Community Director, depending on the approval by Council. In addition, a portion has been taken from our equitable share for contribution into the capital projects to address the issue of spending the bulk of the budget on administration related costs.
5. IDP Gross shortcomings	Process plan for IDP was developed and implemented accordingly. One other key limitation to the IDP has always been the absence of capital investment framework which will indicate the infrastructure backlog in the municipality. To date, infrastructure and maintenance plan has been budget for in the 2011/12 to address challenges experienced before. In addition a provision has been made to appoint a service provider for the finalization of SDF and LUMS.
6. Financial viability threat due to fruitless, wasteful and irregular expenditure	The financial position of the municipality has stabilized. Expenditure was approved, and in most cases where, possible, ratified by the administrator to control issues pertaining to fruitless and wasteful expenditure
7. Unavailability of performance management system	Whereas an attempt was made by the administrator to bring this situation to normality, there have been serious challenges due to lack of cooperation from other staff members within the municipality. Most of the targets in 2010/11 have not been met, especially in the Technical department. Anderson and VOGT was subsequently appointed to help in this regard and the Director Technical Service will be appointed.

The appointed administrator contributed immensely in the normalization of the situation at uMhlabuyalingana, however there were challenges which he could not resolve hence have been left with the present management and current political leadership elected during the May Elections. Amongst the outstanding issues are the internal controls, organogram review and implementation strategy, institutional integrity and credibility, performance management system, capacity constraints, in particular in the Technical division, financial controls, contract management, risk management, SCM, completion of implementation of Municipal property Rates Act, completion of Council chamber, traffic station, Bhekabantu community hall, Mbazwana Town services roads and Masibambisane community market.

In addition to the above, due to the financial situation of the municipality, whereas the report of the administrator has indicated that all creditors have been paid in full it may be necessary to state that all **known** creditors have been paid in full. There are service providers who have not yet been paid due to irregularities in respect of their appointments as well as the difficulty to justify the amounts they are claiming to the municipality. The majority of the issues pertaining to the outstanding payments is subject to the municipality receiving court orders to pay. It is also important to state that most of these issues were included in the civil and criminal case lodged with the police.

In conclusion to my overview, management is currently preparing a matrix for all challenges identified by the administrator and present management with an intention of developing a dashboard for addressing the inadequacies. The dashboard will be submitted to Audit committee, EXCO and the Council to ensure that an oversight role is undertaken accordingly.

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**Mr. S. E. Bukhosini**

**Municipal Manager**

## 2.2 Financial Performance of the municipality

This Annual report is based on the audited Annual Financial Statements. The Audit General gave Umhlabuyalingana Municipality an unqualified audit opinion.

An important aspect indicated in the financials is that there has been an extreme under expenditure (25%), in particular, on the capital budget. An amount of R41 464 029.00 was available for 2010/11

financial year and only R10455 369.00 was spent as at the end of the financial year. Table B below indicates the actual operating expenditure and capital expenditure per project. There are a number of contributing factors which led to under expenditure and can be summarized as follows:

1. The Director Technical could not sign her performance agreement;
2. Director Technical did not sign her SDBIP, nor did she deliver on the unsigned SDBIP, this despite numerous persuasion by both the administrator and newly appointed Municipal Manager;
3. Budget provided for in the unsigned SDBIP, which was not reconciling with budget on the organizational performance scorecard were not reconciling;
4. There was no demand management and procurement plan for the municipality;
5. Unsuitably qualified Project Managers and Consulting engineers;
6. Appointment of contractors with limited working capital;
7. Lack of onsite supervision of contractors by project Managers and consulting Engineers;
8. The Director Technical subsequently resigned from the municipality thus leaving the Technical section defunct, with only the newly appointed Municipal Manager to oversee the Department; and
9. Uncomfortability from both the Administrator and the newly appointed Municipal Manager to spend on Technical projects in the absence of a credible plan.

Upon the assumption of his duties, the Municipal Manager , in the absence of a handover report from the former Acting Municipal Manger, prepared an inception report wherein he highlighted, amongst others, the above mentioned challenges and put forward recommendations which included the establishment of a project management unit (PMU) to mitigate the situation. The performance management system indicates that there were 23 targets for Technical section, and only 7 were achieved thus making an annual performance for technical section to be 30.4%. It is important to note that the slight movement in performance was largely due to urgent appointment of Project Managers and Consulting engineers after the termination of contract, due to unsatisfactory service from the previously appointed Project Managers and Consulting engineers.

On the other hand the operational budget was **R 35 607 410.00** and **R 31655234.00** was spent thus making the total expenditure to be 89%. This expenditure included largely administration and salary related costs. It is clear from this information that the municipality spent less on service delivery, but more administration and salaries. It is imperative to mention that in the next financial year this situation has been corrected, hence expenditure on capital projects will improve to contribute positively to service delivery. A submission has been made to Treasury in respect of unspent conditional grants, and

these projects have been included in the organizational performance score card and SDBIP's for the next financial year 11/12.

It must be noted that this municipality is coming from the period of being under Administration. As reflected in the table below, it include a subsistent amount of non-cash items. The Impairment provision is because of the assets in the assets register of which when verified their states has deteriorated substantially. The Impairment debtors are those that have been carried over from the time the municipality was under administration. Provision for Rehabilitation site had to be provided as the municipality intends to formalize the current dump sites

Table B: Umhlabuyalingana Local Municipality actual Operating and Capital expenditure vs Budget

<b>Description</b>	<b>Budget 2010/11</b>	<b>Actual Expenditure</b>	<b>Variance</b>	<b>% Spent</b>
<b><u>Expenditure by category</u></b>				
Councillors Remuneration	5,067,427	4,447,882	619,545	88%
Employees costs	12,683,092	10,118,859	2,564,233	80%
General Expenditure	15,702,437	6,984,312	8,718,125	45%
Repairs and Maintenance	324,780	234,152	90,628	72%
Leave provisions	770,722	196,240	572,844	26%
Depreciation	915,000	3,580,768	-2,665,768	391%
Contracted Services	93,592	62,863	31,089	67%
Bad Debts Provisions	50,000	236,652	-186,652	473%
Asset Impairment		3,970,061	0	n/a
Debtors Impairment		34,461	0	n/a
Provision for Rehabilitation of Sites		1,788,982	0	n/a
	<b>35,607,410</b>	<b>31,655,234</b>	<b>3,952,176</b>	<b>89%</b>

### Capital expenditure per project

Description	Budget 2010/11	Actual Expenditure	Variance	% Spent
Vehicles: Traffic, Pool car, Mayor	720,000	135,434	584,566	19%
Computers and printers	150,000	108,784	41,215	73%
Furniture and Equipment	500,000	155,513	344,486	31%
- Fencing Of Landfill Sites	1,500,000	-	1,500,000	0%
Municipal Buildings - Traffic Station	2,454,122	2695,609	-241,487	110% <sup>a</sup>
- Mahlakwe Community Hall	236,136	236,500	-363.68	100%
- Njinji Access Road	916,363	275,766	640,597	30%
- Masibambisane Community Market	273,449	108,493	164,956	40%
Council Chamber - MIG	8,552,210	1,892,646	6,659,564	22%
National Electrification - MIG	9,000,000	-	9,000,000	0%
Urban Development	1,342,944	-	1,342,944	0%
Corridor Development	364,600	-	364,600	0%
Library Gaurd House	50,000	-	50,000	0%
Savillian Camera / Speed Camera	125,000	92,400	32,600	74%
Khiphimbazo Water Project	213,345	-	213,345	0%
Mphakathini Community Hall	1,860,478	871,135	989,343	47%
Bhekabantu Community Hall	1,509,493	959,562	549,931	64%
Rehabilitation of Manguzi Roads	665,669	341,599	324,069	51%
Sport Ground	909,868	-	909,868	0%
Municipal Skips	700,000	-	700,000	0%
Refuse Truck	1,200,000	1,015,300	184,700	85%
Small Town Rehabilitation: Market Stalls, Coldrooms	4,500,000	216,416	4,283,584	5%
Off Road parking, Bins, Notice Boards, Sidewalks	2,000,000	-	2,000,000	0%
MIG Roads: Ngozini	48,435	-	48,435	100%
: NsukumbiliManzibomve	366,179	-	366,179	100%
: KwaMasondo, Manzibomvu, Nsukumbili	454,621	-	454,621	100%
: Manzibomvu, Oqondweni, Otshwayelo	254,209	-	254,209-	100%
: Mbazwana Road	102,908	244,519	-141,611	238% <sup>b</sup>
Backup Engine	450,000	28,726	421,274	6%

Grass Cuter	19,000	-	19,000	0%
Slasher	25,000	-	25,000	0%
	<b>41,464,029</b>	<b>10,455,370</b>	<b>31,008,659<sup>1</sup></b>	<b>25%</b>
<small>a-A V for fencing  b-A V for assessing work done  1-Exclude Rehabilitation to land fill and finance lease</small>				

Whereas the picture looks dull in terms of the municipality financial performance, it is imperative to indicate that there has been an improvement from the income side, especially from the Traffic department. The municipality had a budget of R 1 787 519.00 and only R 916 963.00 was spent and income of R 1 142 750.00 was generated. This means that the Traffic station managed to break even by at least 25% in the last financial year.

The Risk assessment report has highlighted risk areas where management must ensure that controls are in place to ensure that optimum benefits are realized through this section. It is anticipated that with the future plans of building a testing ground more income will be realized in 11/12 financial year thus making it possible for the municipality to generate its own income for contribution in the 12/13 financial year which could be invested in service delivery oriented activities.

In addition, the municipality managed to engage with the Department of Arts and Culture with an intention of removing all costs related to the running and maintenance of the library services without losing the status of being a service provider in the community. It is fulfilling to report that an amount of R1 415807.00 was made available to the municipality in the form of a grant, and to date the library is not a cost to the municipality, this to include the staff salaries as well.

Finally the AFS provide a comprehensive indication, as part of our disclosures, in areas where we have identified deviations from the normal supply chain processes. These include amongst others, the emergency appointment of Anderson and Vogt as project Managers and consulting engineers due to appalling delivery from the technical division, appointment of Seethal Attorneys to represent the municipality in the arbitration case for the former Municipal Manger vs the Municipality, appointment of Phindile Development services , Ngwenya and Zwane Attorneys in the case involving the former Acting Municipal Manger, Amalawu security services to provide security services for the municipality when there was a dispute between the Municipality and the service provider related to services rendered, Ensemble trading for the fixing of the electricity fuse which was burning threatening to burn the municipal building as well as Gijima for the provisioning of IT services in relation to the eradication of viruses which brought the municipality into a standstill.

## CHAPTER 3: Institutional performance

### 3.1 Organisational performance Score card

According to Municipal Planning and Performance Regulations, 2001 the municipality must develop an organizational scorecard with specific, measurable, achievable, realistic and time bound (SMART) output measures and key performance indicators. It is also important to note that the scorecard must be informed by the Integrated Development Plan (IDP) as enshrined in the Municipal System Act, Chapter 5. The Municipal Planning and performance Regulations, 2006 deals with the monitoring and evaluation of individual performance of Section 57 managers and managers accountable to the municipal manager. The Service Delivery Budget Implementation Plans are developed from the Organisational scorecard which is informed by the approved IDP priorities for implementation by the Council. The development of organizational scorecard and Managers SDBIP's are informed by figure 1 below to ensure impact oriented service delivery for our communities.



Figure 2: Framework for the development of organizational scorecards and SDBIP's

Whereas there has been considerable progress in respect of performance management system, to be aligned with the framework in figure 2 above, in the municipality generally compared to the previous financial years, there is still a significant amount of work that is still to be done in this sphere. According to the organizational scorecard there were 93 targets for the 2010/11 financial year and only 39 were achieved, hence the overall performance of the municipality was 41.9%. Table C below provides a detailed analysis of this situation. The table provides, in particular the annual target, annual budget expenditure, actual results attained and the mitigation measures in place for the next financial year in cases where targets were not been met. Files for the portfolio of evidence to substantiate the performance below are available in the municipality, but have not been included in this report.

Table C: 2010/11 ANNUAL PERFORMANCE REPORT

NATIONAL KPA	IDP OBJECTIVES	MEASURABLE OUTPUT	KPI	ANNUAL TARGET	BUDGET	ANNUAL PERFORMANCE ACTUALS	EXPENDITURE	PLANNED MEASURES FOR IMPROVEMENT
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NATIONAL KPA	IDP OBJECTIVES	MEASURABLE OUTPUT	KPI	ANNUAL TARGET	BUDGET	ANNUAL PERFORMANCE ACTUALS	EXPENDITURE	PLANNED MEASURES FOR IMPROVEMENT
SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT	To provide adequate infrastructure & facilities	Manguzi road (black top)	No of kilometers of remedial tarred road with engineer's certificate	4 km tarred road by Dec 2010	R 904 241	Target not achieved	R389 422.94	The municipality made interventions in all capital projects by enlisting the services of Anderson Vogts Consulting Engineers as PMU for the municipality however the intervention was in the 4 <sup>th</sup> Quarter of the financial year. The project was eventually rolled over to the 2011/12 financial year. A budget has been set aside for R 7 million for Manguzi Roads including remedial actions for these particular roads.
		Oqondweni road (gravel)	No of kilometers of gravel road with engineer's certificate	6 km gravel road by Dec 2010	R 271 397	Target achieved	R 254 208.60	Engineers certificate attached see <b>Annexure A- Technical Services report</b>
		Njinji road (gravel)	No of kilometers of	5 km gravel road	R2 475 569	Target achieved	R 219 626.86	Engineers certificate attached see

NATIONAL KPA	IDP OBJECTIVE S	MEASURABLE OUTPUT	KPI	ANNUAL TARGET	BUDGET	ANNUAL PERFORMANCE ACTUALS	EXPENDITURE	PLANNED MEASURES FOR IMPROVEMENT
			gravel road with engineer's certificate					Annexure B(Technical Services report)

		Mbazwana road (black top)	No of kilometers of tarred road with engineer's certificate	2.5 km tarred road by Dec 2010	R602 232	Target achieved	R 278 751.38	Engineer's certificate attached see <b>Annexure C</b> (Technical Services report)
		New access road and maintenance of municipal roads.	Audit report indicating number of kilometres of new municipal access roads constructed	Audit report adopted by the Council by Dec 2010	HR	Target not achieved	Nil	<b>No new access road constructed and the municipality will enlist the services of a consultant for infrastructure and maintenance plan to identify roads &amp; determine the level of maintenance required.</b>
		Manaba Sports field	Engineer's completion certificate	Sports field completed by June 2011	R1 288 000	Target not achieved, no work was done in 2010/11	Nil	<b>Project was initiated at a wrong place without consultation with Mashabane Traditional Council and has since been stopped. However the municipality has set aside a budget of R1.9million to co-fund the project in a new site in the 2011/12 financial year</b>
		Provision of new electricity	Number of households to be connected	192 households connected at	R9 000 000	Target not achieved	Nil	The project has been carried over

				Manaba by Dec 2010				to the 2011/12 financial year.
				500 households connected at Madonela by June 2012	Covered in above budget	Target not achieved	Nil	The project has been carried over to the 2011/12 financial year.
		Provision of non-grid electricity	Number of households to be connected	1500 households connected by June 2011	N/A	Target not achieved, no budget provision was made available for this target output	Nil	None
		Reduction of electricity backlog by 2%	Schedule of electrification project	Meeting with Eskom, DC 27 and DME to identify and prioritize electrification projects in the IDP by June 2011	HR	Target not achieved	Nil	There are continuous engagements between the municipality and the relevant stakeholders
		Infrastructure and maintenance plan	Approved infrastructure plan	Completed infrastructure plan by June 2011	R600 000	Target not achieved	Nil	The project has been carried over to the 2011/12 financial year
		Council Chamber	Engineer's completion certificate	Completed building by Dec 2010	R9 070 121	Target not achieved, the contract was terminated in agreed terms and conditions	R 2 157 615.97	The performance target output has been carried over to the 2010/11 financial year.
		Traffic and testing station	Engineer's completion certificate	Completed building by Sept 2010	R4 322 544	Target not achieved	R 3, 072 994.33	The performance target has been

								carried over to the 2010/11 financial year
		Masibambane Community Market	Engineer's completion certificate	Completed building by Dec 2010	R273 449	Target not achieved	R 123 681.50	Budget allocation has exhausted before the completion of the project
		Mahlakwe Community Hall	Engineer's completion certificate	Completed building by Dec 2010	R236 136	Target achieved	R 269 609.64	Engineers completion certificate attached see <b>Annexure D-</b> Technical Services Report
		Bhekabantu Community Hall	Engineer's completion certificate	Completed building by Dec 2010	R2 332 297	Target not achieved	R 1 093 901.02	Project carried over to the 2011/12 financial year.
		Mphakathini Community Hall	Engineer's completion certificate	Completed building by Dec 2010	R2 010 477	Target achieved	R 993 093.73	Engineer's completion certificate attached see <b>Annexure E-</b> Technical Services report
		Regularization of three landfill site	Certificate of registration	Registered three landfill sites by June 2011	R300 000	Target not achieved	Nil	The performance output was carried over to the 2011/12 financial year as waste management with a budget of R 600 000
		Purchase of bulk refuse skips	Number of bulk skips to be procured	Proof of purchase of 30 bulk refuse skips by June	R750 000	Target not achieved,	Nil	Tender processes were

				2011		the budget intended for this item was used to buy refuse truck, however even after budget adjustment in January 2011 this was not achieved		completed, service provider appointed and the delivery of goods is expected in the first quarter of the 2011/12 financial year. Appointment of service provider; see <b>Annexure D</b> - Community Services Report
		Purchase of refuse collection truck	Proof of purchase with manufacture's certificate for such use	One refuse collection truck by Dec 2010	R500 000	Target achieved, despite the fact that the delivery of goods was done in the third quarter of the financial year, but the official order was given to the service provider on the 21 <sup>st</sup> Dec 2010. Due to the prize of the truck	R 1 168 942	Proper research for the specification of goods required and prices should be done in future before putting figures on the budget; to avoid less budget allocations. Proof of purchase. See <b>Annexure C</b> - Community

						the amount budgeted for refuse skips was used to buy the truck.		Services Report
		Procurement of refuse bags	Number of bundles of refuse bags	Proof of purchase of 150 bundles of refuse bags by June 2011	R100 000	Target achieved, the demand for refuse collection bags became more than anticipated, while at the same time the 150 bundles were also cheaper than expected because of buying them in bulk from the wholesalers; consequently more than 150 bundles were purchased within the allocated budget.	R 47 880.00	There is a need for proper research possible service providers to determine the market where goods can be obtained at a reasonable price. See <b>Annexure A-</b> Community Services Report
		Access to solid waste removal	Number of households with access to solid waste removal	To be quantified in Sept 2010	HR	Target not achieved	N/A	This performance target output is a requirement in terms MPPR 2011 as General

								Key Performance Indicator; it has also recently come out as a requirement by Outcome 9. It is an annual target out and is carried over to 2011/12 and will be determined in August 2011.
		LUMS for Manguzi and Mbazwana	Approved structure Land use framework	Completed land use scheme by June 2011	R1 100 000	Target not achieved	Nil	The performance target output was carried over to 2011/12 financial year.
		Establishment of Fire Services unit within traffic station	Purchase of fire services equipment and clothing	Fire equipment & clothing procured by Dec 2010	R300 000	Target not achieved	Nil	Investigation report could not be done, the municipality was exploring possible opportunity to recover equipment from Rural Metro as per the terms of contract; between both

								parties.
			Procurement of appropriate vehicle & equipment for the service	Fire Services vehicle & equipment procured by Dec 2010	Inclusive in above budget	Target not achieved	Nil	Purchasing of vehicle and equipment could not be done, the municipality was exploring possible opportunity to recover equipment from Rural Metro as per the terms of contract; between both parties.
			Training of traffic personnel	Three traffic officers trained by Oct 2010	Inclusive in above budget	Target not achieved	Nil	The disaster management section from KZN CoGTA offered training of staff programme at their

								expense, which had to resume in the third quarter of the financial year whereby two traffic officers are still doing training.
			Training of community volunteers	40 volunteers trained by Dec 2010	Inclusive in above budget	Target not achieved	Nil	40 volunteers have been identified and will be trained in the 2011/12 financial year; through the programme from KZN CoGTA as well.
			Purchase of appropriate clothing	Proof of purchase of appropriate clothing subject to investigation report by Dec 2010	Inclusive in above budget	Target not achieved	Nil	Investigation report could not be done, the municipality was exploring possible opportunity to recover equipment from Rural Metro as per the terms of contract; between both

								parties.
		Purchase of traffic motor vehicle	Proof of purchase	Traffic motor vehicle purchased in Dec 2010	R150 000	Target achieved,	R 154 944.76	Proof of purchase of traffic section motor vehicle attached. See <b>Annexure G-</b> Community Services Report
		Purchase of dragger alcohol test machine	Proof of purchase from approved dealer	One dragger alcohol test machine procured by Dec 2010	R125 000	Target achieved	R 105 820.50	Proof of purchase of dragger attached. See <b>Annexure F-</b> Community Services Report
		Management and maintenance of existing water scheme	Audit report highlighting the level of functionality of each scheme and indicating required maintenance intervention of each scheme	Audit report adopted by Council by Sept 2010	HR	Target not achieved	Nil	This is the competency of the District and will carry over the function.
		Accessibility to basic sanitation	Audit report highlighting the number of households with access to sanitation	Audit report adopted by Council by Sept 2010	HR	Target not achieved	Nil	This is the competency of the District and will carry over the function.
		Library material loaned	Number of books loaned to patrons	12 000 books loaned to patrons by June 2011	HR	Target achieved, 25 514 books loaned to patrons.	Nil	Portfolio of evidence for the books loaned attached. See <b>Annexure I</b>

								- Community Services Report
		Audio visuals loaned	Number of audio visuals loaned to patrons	1 200 visuals loaned to patrons by June 2011	HR	Target achieved, 2850 audio visuals loaned to patrons for the year in question.	Nil	Proof of Audio visuals loaned to patrons attached see <b>Annexure I-</b> Community Services Report
		Access to free internet	Number of patrons who have free access to internet	30 000 patrons who have had free access to internet by June 2011	HR	Target not achieved, 23 760 patrons have access to free internet.	Nil	This target is dependent on the availability of power and accessibility of network because the province is using the same Telkom network. The reporting was also disturbed due to resignation of Cyber Cadet and the post was vacant for 3 months there was nobody recording. See

								<b>Annexure J</b> - Community Services Report
<b>LOCAL ECONOMIC DEVELOPMENT</b>		Jobs to be created through capital projects implementation	Number of jobs created	202 jobs created	HR	Target achieved	Nil	See <b>Annexure F</b> - Technical Services Report
		Tourism investment strategy	Council approved investment tourism Strategy	Council approved tourism investment strategy by June 2011	HR	Target not achieved	Nil	Carried over to the 2011/12 financial year.
				Tourism Forum established by Dec 2010	HR	Target achieved	Nil	None
		Adoption and review of LED strategy	Council resolution for adoption and review LED strategy	Council approved LED strategy document by June 2011	HR	Target not achieved	Nil	Carried over to the 2011/12 financial year.
		Adoption of Manguzi and Mbazwana economic hubs	Council resolution for Manguzi and Mbazwana economic hub study	Council approved Manguzi & Mbazwana economic hubs study by Sept 2010	HR	Target not achieved	Nil	None
		Construction of Manguzi Market stalls	Number of market stalls, storerooms and coldroom constructed	80 market stalls, 1 storeroom & 1 cold-room constructed at Manguzi by June 2011	R4 500 000	Target not achieved	R 761 413.51	Continuation project to 2011/12 financial year.
		Groundnuts project	Number of hectares of ploughed land for groundnuts	33 ha of land ploughed for groundnut commercialization project, fenced and handed over to beneficiaries by June 2011	R2 000 000	Target not achieved	R 523 618.83	Continuation project to 2011/12 financial year.

<b>FINANCIAL VIABILITY &amp; MANAGEMENT</b>	To improve financial viability and financial management planning	Implementation of the billing system for rate account (MPRA)	Proof of financial system upgrade to include a billing module	Upgraded financial system for billing by Sept 2010	R214 400	Target not achieved	Nil	Project commenced in the 2010/11 and has been carried over to the 2011/12 financial year
		Management of Equitable Share as the basis for managing expenditure	Monthly cash flow reports and bank reconciliation reports	12 Monthly cash flow reports & Bank reconciliation reports on the management of R 37 695 000 for the Equitable Share by June 2011	HR	Target achieved	Nil	Cash flow reports see <b>Annexure C</b> - Finance Services Report
		Management of all Conditional Grants in terms of DoRA	Individual grants reconciliation reports and individual grants cash flow statements	12 monthly individual grants reconciliation reports & individual grants cash flow statements on management of Conditional grants in terms of DoRA by June 2011	HR	Target achieved	Nil	12 monthly individual grants reconciliation reports see <b>Annexure D</b> - Finance Report
		Revenue enhancement strategy	Revenue strategy indicating sources of income	Approved Revenue Enhancement Strategy by December 2010	R200 000	Target not achieved	Nil	Performance target out carried over to 2011/12 financial year.
		To ensure that accounts for municipal services are paid within 30 days	Proof that service accounts are issued to consumers within 14 days from the end of the month	A total of 684 accounts in June 2011( 57 business holdings x 12 months )	HR	Target achieved	Nil	Proof of service accounts attached. See <b>Annexure E</b> – Finance Services

							Report
	Upgrading the financial system to include asset register	Certificate of upgrade by the service provider	Upgraded GRAP compliant asset register module by September 2010	R100 000	Target not achieved	Nil	The process started late and will be finalized in the 2011/12 financial year
	Salary payment of staff and councilors in time	Payment of salaries on the 25 <sup>th</sup> of every month	12 monthly Payments of salaries on the 25 <sup>th</sup> of every month	R17 844 000	Target achieved		None
		Payment of creditors within 30 days of submission of invoice	Proof of payment within 30 days of invoice	HR	Target achieved	Nil	See <b>Annexure L-</b> Finance Services Report
	Payment and reconciliation of creditors in terms of MFMA	Monthly creditors reconciliation reports with age analysis	12 monthly creditors reconciliation reports by June 2011	HR	Target achieved	Nil	<b>Annexure L-</b> Finance Services Report
	Capital expenditure on IDP projects	Percentage of capital expenditure on IDP projects	100% of capital expenditure on IDP projects by June 2011	HR	N/A	N/A	None
	Cost coverage ratio			HR	N/A/	N/A	None
	All procurements of goods and services to be done in terms of SCM policy	All HODs submit their demand management needs to SCM	All HOD to submit their demand management needs to SCM unit by August 2011	HR	Target not achieved	Nil	Carried over to the 2011/12 financial year with strict instructions from MM, for submission before the end of July 2011.
		SCM programme of procurement	Acquisition Management Programme from SCM unit supplied to management		HR	Target not achieved	Nil

				by September 2010				from MM, for submission before the end of July 2011.
		All goods & services procured in terms of SCM policy	Goods and services procured in terms of the procurement programme or other acceptable methods in terms of policy through- out the year	HR	Target achieved	Nil	None	
	Establishment of DATABASE of suppliers	Invitation and accreditation of suppliers	Accreditation of suppliers on the database by August 2010	HR	Target not achieved	Nil	Carried over to the 2011/12 financial year.	
			Capturing of the suppliers database on the financial system by September 2010	HR	Target not achieved	Nil	DATA base form part of the financial system upgrade. The upgrade is still in progress and will be completed in the 2011/12.	
	SCM report to National Treasury for goods/services of R100 000 and above	Monthly reports to Treasury	12 Monthly reports by June 2011	HR	Target achieved	Nil	See 12 monthly attachments. <b>Annexure N- Finance Services Report</b>	
	Oversight on financial and SCM processes	Capacitate finance committee to effectively play its oversight role on finance matters	Workshopped Finance Committee on SCM processes by Sept 2010	HR	Target not achieved	Nil	None	
	Budget Adjustment 2010/11	Council resolution on adjustment budget per mid-year report	Council approved Budget adjustment	HR	Target achieved	Nil	Council resolution <b>attached O – Finance</b>	

				by January & June 2011				Services Report
		Budget 2011/2012	Council resolution approving 2011/12 report	Council resolution approving 2011/12 budget in May 2011	HR	Target achieved	Nil	Council resolution attached- <b>Annexure P</b> -Finance Services Report
		2010/11 MID-YEAR report	Section 72 MFMA report	Council resolution approving Mid-year report by January 2011	HR	Target achieved	Nil	Council resolution attached- <b>Annexure Q</b> - Finance Services Report
		Monthly report on income and expenditure	Section 71 MFMA report and Treasury report	12 Monthly Section 71 and Treasury reports on income and expenditure by June 2011	HR	Target achieved	Nil	12 monthly reports attached. <b>Annexure W</b> - Finance Services Report
		Completed AFS for 2009/10	GRAP compliant AFS and proof of submission to AG	Proof of submission by 31 <sup>st</sup> August 2010 & timely response to AG queries	HR	Target achieved	Nil	See attachment, <b>ANNEXURE S</b> (Finance report)
		Completed MID-YEAR financial statement for 2010/11	GRAP compliant mid-year financial statements and proof of submission to AG	Proof of submission of GRAP compliant Mid-Year financial statements to AG by February 2011	HR	Target achieved	Nil	See attachment <b>ANNEXURE T</b> (Finance report)
		Reviewed financial and accounting policies	Council resolution approving policies	Council resolution for the approval and adoption of 6 reviewed financial & accounting policies by June 2011	R150 080	Target not achieved	Nil	The performance target output was carried over to the 2011/12 financial year.
		Compilation of indigent register in terms of MPPMR 2001	Register of indigent people indicating their names, ids and physical addresses with a council resolution	Council resolution approving Indigent register indicating	HR	Target not achieved	Nil	The performance target output was rolled-over to 2011/12

			approving it	indigent people's names, IDs and their physical addresses by June 2011				financial year.
<b>INSTITUTIONAL TRANSFORMATION &amp; DEVELOPMENT</b>	To develop institutional capacity and skills within the municipality	Skills Audit Report 2010/11	Report on skills gap analysis and action plan approved by Council	Council resolution approving skills gap analysis report and action plans by Dec 2010	HR	Target not achieved, this output will be done internally for 2011/12.	Nil	The performance target output was carried over to 2011/12.
		Work Place Skills Plan 2011/12	Proof of submission of WSP to LGSETA	Developed, finalized and adopted by Council and submission of WSP for 2011/2012 to LGSETA by end of June 2011	HR	Target achieved	Nil	WSP & training report attached. <b>Annexure A-</b> corporate Services Report
		Approval Employment Equity Plan	Council resolution and proof of submission to department of labour	Council approved Employment Equity Plan and proof of submission to Dept of Labour by Sept 2010	HR	Target achieved	Nil	See attachment <b>Annexure D-</b> Corporate Services Report
		Functionality of Local Labour Forum	Re-constitution of the LLF	Exco resolution approving Local Labour Forum by Dec 2010	HR	Target achieved	Nil	<b>Annexure C</b> - Corporate Services Report
			Workshop for members of LLF on their roles & responsibilities and its terms of reference	Attendance register for workshop of LLF members and their TORs by Dec 2010	HR	Target not achieved	Nil	None
			Number of meetings of the LLF	Notice of 2 LLF meetings and proof of	HR	Target achieved	Nil	See <b>ANNEXURE C</b>

				submission of LLF discussed matters to Exco by June 2011				(Corporate Services report)
		Reviewing organogram and approval of organogram by Council	Council resolution approving organogram	Reviewed organogram and filling of critical vacant positions by end of Sept 2010	HR	Target not achieved	Nil	None
		Review organogram	Approved new organogram	Council resolution approving New organogram by Dec 2010	HR	Target not achieved	Nil	Performance target output carried over in 2011/12 financial year.
		Improve front desk interface	Trained reception to improve front desk interface	Receptionist trained on front desk interface by Sept 2010	HR	Target not achieved	Nil	The performance target was carried over to 2011/12 and consolidated to training of staff vote.
		Update and review policies	Council resolutions for reviewed policies	Council resolutions for Update and review 12 HR policies by end of June 2011	HR	Target not achieved, policy need analysis required before the tabling and approval of policies by Council.	Nil	The performance target output was carried over to 2011/12 financial year.
		Four ordinary Council meetings	Attendance registers and minutes	Notices and/or attendance register of 4 Ordinary Council meetings by June 2011	HR	Target not achieved, only 3 ordinary council meetings held	Nil	None
		Ten ordinary	Attendance registers and	Notices and/or	HR	Target not	Nil	None

		EXCO meetings	minutes	attendance register of 10 Ordinary ExCo meetings by June 2011		achieved		
		Fully functional Registry system	Fully established and functional registry system	Fully established and functional registry / archives system by June 2011	R100 000	Target not achieved	Nil	Performance target output carried over to 2011/12
		Appointment of MM and CFO	Letters of appointment	Letters of appointment for the Municipal Manager and CFO by Sept 2010	HR	Target achieved	Nil	See <b>ANNEXURE E</b> (Corporate Services report)
		Proper management of records	Register of all correspondences received	12 monthly proof of daily distribution of correspondence by June 2011	HR	Target achieved	Nil	See attachment <b>ANNEXURE K</b> (Corporate Services report)
		Review and adopt the Standing Rules	Reviewed standing rules based on good governance principle	Council approved standing rules and proof of publishing in the Provincial Gazette by Sept 2010	HR	Target achieved	Nil	See attachment <b>ANNEXURE N</b> (Corporate Services report)
		Review of delegations	Workshop councillors and council approved delegations	Councillors attendance register for the workshop and council resolution on reviewed delegations by Sept 2010	HR	Target not achieved	Nil	None
		Payment of water and electricity	Proof of payment	12 monthly payment of water and electricity by June 2011	R100 000	Target achieved	Nil	See attachment <b>ANNEXURE U</b> (Corporate Services report)

		Staff management to ensure discipline of staff for productivity	Number of MANCOM meetings	52 weekly MANCOM meetings by June 2011	HR	Target not achieved	Nil	Annual continuous performance target output	
			Report on work attendance Sec 57 managers & other staff in the office of the MM	12 monthly work attendance of staff forming part of monthly reports to Exco by June 2011	HR	Target not achieved	Nil	Annual continuous performance target output	
			Disciplinary measures by the MM when necessary	Depending on need arising	HR	Miss T.F. Zikhali (General worker) from Community Services for Mbazwana site undergone disciplinary hearing for misconduct and found not guilty.	R 161 340 was spend from legal services budget vote for prosecution of an employee.	See attachment <b>ANNEXURE L</b> (Community Services report)	
			Number of general staff meetings	4 quarterly staff meetings by June 2011	HR	Target not achieved	Nil	Annual continuous performance target output	
			Employment of people in the three highest level of management	Number of people from equity target group employed in the three highest level of management	9 out of 11 people from equity group employed in the three highest level of management	HR	N/A	N/A	None
			Expenditure on WSP	Percentage of expenditure on WSP	Percentage	HR	N/A	N/A	None
<b>GOOD GOVERNANCE &amp; PUBLIC</b>	To promote transparency	Approved organization scorecard	Organizational scorecard	Scorecard approved by Council by	HR	Target achieved	Nil	Council resolution UMHC 061	

<b>PARTICIPATION</b>	ncy and accountability in the affairs of the municipality			July 2010				dated 15 June 2010
		SDBIP 2010/2011	Approved and signed SDBIP for 2010/11 for all Sec 57 managers	Exco approved and signed SDBIPs for Sec 57 managers by July 2010	HR	Target not achieved, one Sec 57 manager did not complete and submit SDBIP.	Nil	Exco resolution UMHEX 084 dated 14 July 2010 <b>Annexure O- Community Services Report</b>
		Performance agreements for all Sec 57 managers	Submission of signed performance agreements as per the SDBIP to EXCO and MEC	Proof of submission of performance agreements by July 2010	HR	Target not achieved, one Sec 57 manager did not submit performance agreement.	Nil	None
		SDBIP 2011/2012	Tabling of draft SDBIP to Council for all Sec 57 managers	Council approved draft 2011/12 SDBIPs for all Sec 57 managers by May 2011	HR	Target achieved	Nil	SDBIPs for Sec 57 managers were tabled before the Council on the 29 <sup>th</sup> July 2011
		Establishment of the OPMS unit in the MM's office.	Designation/appointment of dedicated capacity in the MM's office for OPMS and organizational reports	PMS unit established by Council resolution by Sept 2010	HR	Target not achieved	Nil	None
		Library promotions	Council resolution for the adoption of library promotional programmes	4 library promotional events by June 2011	HR	Target not achieved	Nil	Three library promotions were held, <b>ANNEXURE P</b> (Community Services report)
		Approved 2010/11 IDP	Council resolution	IDP approved by Council by July 2010	HR	N/A	N/A	This target output was for the previous

								financial year and was not supposed to be a target for this year.
		Approved IDP for 2011/12	Council resolution for approving IDP	Approved 2011/12 IDP by Council by May 2011	HR	Target achieved	Nil	The target output was achieved, although later than timeframe due to challenges within the Council towards the end of the previous Council term..
		Consultation with communities(4 clusters)	Programme approved by council	Council resolution Approving community participation programme by August 2010	HR	Target achieved, public consultation meetings for IDP review process were held in all 13 wards, plus 3 public consultation meetings in respect of 2009/10 annual report.	Nil	More community consultation will be done in the 2011/12 financial year and has been included in the municipal year planner calendar, as well as in the department's implementation plan; in respect of budget and OPMS consultations. Attendance registers

								IDP & Annual Report consultations, <b>ANNEXURE N</b> (Community Services report)
		Review Public communication strategy	Reviewed public communication strategy as part of public participation policy	Council resolution approving public communication strategy by Oct 2010	HR	Target not achieved	Nil	The performance target output has been carried-over to 2011/12 as review of communication strategy.
		Functionality of ward committees	Development / review of ward committee policy	Council approved ward committee policy by Sept 2010	HR	Target not achieved	Nil	MM will assign senior official to coordinate the establishment of new ward committees after GLE 2011 to ensure that the municipality has fully complement ward committees in the 2011/12 financial year and beyond.

			Develop DATA base for ward committee	Council approved DATA base for ward committees by Sept 2010	HR	Target not achieved	Nil	MM will assign senior official to coordinate the establishment of new ward committees after GLE 2011 to ensure that the municipality has fully complement ward committees in the 2011/12 financial year and beyond.
			Skills audit and training of ward committees	Approved skills audit and training schedule by Sept 2010	HR	Target not achieved	Nil	Same as above
			Development of ward committee plans aligned to the IDP	Approved programme by Sept 2010	HR	Target not achieved	Nil	Same as above
			Number of ward committee meetings	At least four attendance registers for the meetings per ward committee by June 2011	HR	Target not achieved	Nil	Same as above
			Agenda & minutes of the ward committee meetings	At least 4 agendas for each ward committee meetings by June 2011	HR	Target not achieved	Nil	Same as above
		Review ward committee budget	Proof of council resolution	Council approved ward committee	HR	Target not	Nil	On the 14 <sup>th</sup> June 2011, the Council

		policy		budget policy by Sept 2010		achieved		had approved policy on ward committee elections and operations, which extensively include legislative framework dealing with budget and reimbursement of members on actual expenses
		CDWs communication strategy & performance management	CDWs communication strategy with work plan and Terms of Reference	Council approved CDWs communication strategy including performance management, work plan and TORs by Sept 2010	HR	Target not achieved	Nil	The performance target output was carried over to 2011/12.
		Appointed Audit Committee	Proof of council resolution	Audit Committee appointed by Sept 2010	HR	Target achieved	Nil	Council resolution for the appointment of members approved on the 2 <sup>nd</sup> November 2010.
		Internal Audit	Number of audit reports	Two audit reports by June 2011	HR	Target not achieved, one report was done due to delay in the	Nil	None

						appointment of internal audit committee.		
		External Audit for 2009/10	Number of audit reports by AG	One audit report by June 2011	HR	Target achieved	Nil	None
		Status quo report on Risk management	Status quo report indicating risks and necessary interventions	Status quo report by Sept 2010	HR	Target achieved	Nil	Risks were incorporated into 2011/12 SDBIPs and monthly reports were expected from managers every month.
		Establishment of customer service desk	Designation of functional for the administration of customer service desk in the MMs office	Designate/ appoint an official to manage customer/ stakeholder information between the municipality and the outside world by Sept 2010	HR	Target not achieved	Nil	The new organogram will be approved in the first quarter of 2011/12.

DEPARTMENT	NUMBER OF PERFORMANCE TARGETS	TARGETS ACHIEVED	PERCENTAGE
ORGANIZATION	93	39	41.9%
TECHNICAL SERVICES	23	7	30.4%
FINANCE	33	17	51.5%
COMMUNITY SERVICES	30	13	43.3%
CORPORATE SERVICES	35	19	54.3%

The above table further provides an indication, in terms of the Municipal planning and performance regulations 2006, for individual performance for the section 57 managers. This situation is also addressed in the internal auditors report attached as **Appendix B**.

## **CHAPTER 4: Governance issues**

### **4.1 Audit Committee**

The audit committee was established in the 2010/11 financial year in accordance with section 166 of the Municipal Finance Management Act. It is also important to mention that due to the geographic location of the Municipality it has been difficult to attract suitable candidates to serve in the Audit committee. At one stage the Audit committee could not form quorum due to untimely withdrawal of the appointed member, hence a new member was appointed. At the time of the appointment, it was late towards the end of the financial year, hence only three Audit committee meetings were held as at the end of the financial year. Minutes of the audit committee are attached as **Appendix C**.

### **4.2 Performance Evaluation Committee**

The Performance evaluation committee could not be appointed in the 2010/11 financial year due to reasons stated above. Arrangements have however been made to ensure that this committee is established in the 2011/12 financial year.

### **4.3 Internal Auditors**

The Municipality appointed Delloitte Consulting as internal Auditors in the last financial year for the next three years. The internal auditors coverage plan for 2010/11 has been implemented accordingly

### **4.4 Municipal Scopa**

The municipal SCOPA was established in 2010/11 and performed its functions accordingly. The Municipal SCOPA has played an oversight role in the compilation of the 2009/10 report, presentation to both EXCO and Council, conducted public participation in the four clusters, incorporated comments from the public and submitted the report to Council for adoption and later to the province. This oversight committee was also dysfunctional for the early part of the financial year and was only resuscitated towards the end of the financial year as well. It is on the basis of this that it could perform all its oversight responsibilities.

## **APPENDIX A**

### **DRAFT ANNUAL FINANCIAL STATEMENTS**

**APPENDIX B**  
**INTERNAL AUDIT REPORT**

**APPENDIX C**  
**AUDIT COMMITTEE MINUTES**