

Endumeni Municipality

Audit Committee

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON FRIDAY, 26 MARCH 2010 AT
10h00 IN THE MAIN COMMITTEE ROOM, CIVIC CENTRE, DUNDEE 3000**

ooOoo

PRESENT: Mr N Rajkumar, The Chairman
Mr V Mseleku, Member
Mr L Steenkamp, Member
Mr BD Cebekhulu, The Municipal Manager
Mr I Grisdale, Chief Financial Officer
Mr Ryaan Lahldas, Gobodo Inc. – only asked to join at 10h50

ooOoo

1. OPENING

Mr N Rajkumar, the Chairman welcomed everyone.

2. APOLOGIES

Mr JB Maltman, Manager Technical Services and Mr S Perumall, Manager corporate Services.

**3. ITEMS TABLED –
MINUTES OF MEETING OF AUDIT COMMITTEE HELD 25 MARCH 2010**

1. YEARLY REPORTING PLAN

It be noted that the Audit Committee Members require a copy of the MFMA Yearly Reporting Plan. The Audit Committee also requires Management to keep them informed of reports submitted. If reports are submitted late, then explanations are to be submitted to the Municipal Manager and the Audit Committee of reasons for late submission.

Mr Cebekhulu added that all municipalities are required to submit a Turnaround Strategy by no later than 15 April 2010. Discussions have taken place with Council and a further workshop in this regard is set to take place on Monday, 29 March 2010. One of the items to be addressed in the Turnaround Strategy is that of the Delegation of Powers. Once determined, this will ensure that each and every person in the municipality will have in writing what is expected from him/her.

Mr Cebekhulu will request Mr Maltman to email the strategy to the Audit Committee Members.

2. INDIVIDUAL MEETING WITH SECTION 57 MANAGERS

Audit Committee requests that meetings be arranged with the Section 57 Managers, individually. This will enable the audit committee to assess the internal control and effectiveness of each department. Management to provide suitable dates for meetings to take place.

3. PERFORMANCE MANAGEMENT

Performance Management Assessment done by Gobodo only started in 2010. Report regarding Performance Management handed to committee members at meeting to be studied. Noted that this report includes Management Comments.

4. ELECTRICITY TARIFF INCREASE

Concern raised –re- possible deficit due to the electricity tariff increase. Mr Grisdale informed the committee that numerous emails have been sent to obtain clarity regarding the implementation date, will it be 1 April 2010 or 1 July 2010. The problem lies in that the municipality's financial year differs from Eskom's.

Mr Grisdale further reported that although the municipality will show a greater deficit at the end of the year, we will not be bankrupt. There are funds available.

If the implementation date is 1 April 2010, the municipality will not be able to increase its tariffs until 1 July 2010, unless the Finance Minister gazettes the change and thereby authorises municipalities to implement a higher tariff, earlier.

5. INTERNAL AUDITORS

Audit Committee Requires quarterly reports instead of half yearly reports – to be addressed with Ryaan from Gobodo.

6. AUDIT FINDINGS

Mr Grisdale reported that to date 6 written queries were received. All were addressed, the last one was received from Mr Maltman during last night. Supporting documents for the findings with which management does not agree will be attached and submitted to the Auditor General and Audit Committee Members.

Mr Grisdale further reported that he spent time with the Auditor General's staff yesterday and from Endumeni's side there is no hold ups. Answers are given as the questions are received.

7. FINANCIAL STATEMENTS 2009/2010

Mr Rajkumar emphasised that Endumeni must be prepared this year to ensure that Financial Statements are submitted timeously. Confirmation given that action plan to be implemented is as follows. The MFMA states in terms of Section 32(1) that:

"Procurement of goods and services under contracts secured by other organs of state

32 (1) *A supply chain management policy may allow the accounting officer to procure goods or services for the municipality or municipal entity under a contract secured by another organ of state, but only if –*

- (a) The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;*
- (b) The municipality or entity has no reason to believe that such contract was not validly procured;*
- (c) There are demonstrable discounts or benefits for the municipality or entity to do so; and*
- (d) That other organ of state and the provider have consented to such procurement in writing*

(2) *Subregulation (1)(c) and (d) do not apply if –*

- (a) A municipal entity procures goods or services through a contract secured by its parent municipality; or*
- (b) A municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.”*

As KwaDukuza Municipality went out on a tender for the conversion to GRAP and compilation of Annual Financial Statements for a 3 year period, and awarded it to PriceWaterHouseCoopers, Endumeni Municipality can now also appoint PriceWaterHouseCoopers to perform the same task at our municipality. Appointment in this regard will be done. Mr Grisdale further reported that it is expected to have balances ready by end July 2010 to enable PWC to start their preparation and complete Annual Financial Statements on time, by end August 2010.

Progress to be monitored, regular updates and feedback to be given by Chief Financial Officer to Audit Committee and Municipal Manager.

Mr Cebekhulu want it noted that this decision must be ratified by Council.

Mr Grisdale also added that as part of the PWC tender to Kwadakuza, that will therefore also form part of our contract with them, is a 2 day training workshop for staff members and audit committee members, should the latter wish to attend.

8. TRAINING AUDIT COMMITTEE

Mr Cebekhulu noted that arrangements are to be made with the relevant organs of state that offers training to Audit Committee Members. It is of the utmost importance that management puts measures in place to ensure that the Audit Committee functions effectively.

Mr Mseleku added that councillors must also be informed of the duties and responsibilities of the Audit Committee.

Ryaan Lahidas from Gobodo Inc. was at this stage asked to join the meeting.

4. NEW MATTERS

1. REPORTING

Mr Lahldas was informed that the Audit Committee would prefer quarterly reports in stead of half yearly ones. He replied that usually only progress reports are done and then half yearly reports as the function is not in house, but if requested reporting can be done more frequently.

Mr Rajkumar wanted to know if assessment was done on training to eliminate any future occurrence of staff not being trained to do their work. Mr Lahldas confirmed that, that was not part of the audit plan.

The compiled audit plan that was handed to members at the meeting was compiled in conjunction with the Risk Assessment Report that was compiled by KZN Treasury. Areas to be assessed was allocated in 3 years according to degree of risk, i.e. high risk areas in first year, medium in second and low in third. Mr Lahldas also mentioned that the 2nd and 3rd years assessments are not cast in stone and adjustments can be made.

Audit Committee to assess audit plan submitted and provide comments / recommendations to management who will in turn notify Gobodo Inc.

Surina to ensure that all members receive copy of Risk Assessment done by KZN Treasury.

Turnaround time on reports:

Mr Lahldas mentioned that they try and issue the report as soon as possible after concluding their visit. Visit 1 for 2010 to be issued by 1 April 2010. Comments from various departments to be obtained by 14 April 2010. To be forwarded to Audit Committee for assessment by no later than 22 April 2010.

Dates for submission of reports etc to be determined once Audit Committee Members have assessed the audit plan properly.

In future, should comments not be received by Gobodo from management timeously, the Municipal Manager and Audit Committee must be informed.

2. PROGRAM OF MEETINGS

At least 4 Audit Committee meetings to be held during 1 year. Mr Rajkumar requests meetings to be held monthly. Auditor General to be invited to meetings every quarter.

Mr Rajkumar to inform Surina of suitable date to enable the Agenda to be drafted and sent out at least 7 days before the meeting is scheduled.

Mr Lahldas mentioned that the Agenda's must be set out in terms of Section 166 of the MFMA. Template to be forwarded to Surina.

3. PERFORMANCE AUDITING

To be done quarterly. Next audit scheduled in April for quarter ended March 2010. Mr Lahldas to sent email to Mr Maltman requesting date.

4. MUNICIPAL ASSET AUDITING

Part of audit plan for 2009/2010. Mr Lahidas confirmed that it was not done earlier as BAUD was still busy finalising and balancing asset register. It will be done before the end of the year.

5. JOINT MEETINGS

Audit Committee and Gobodo to determine a date & time for meeting to discuss Visit 1 of 2010 as soon as the Audit Committee has had a look at it after 22 April 2010. (as determined in number 4.1)

6. ANNUAL FINANCIAL STATEMENTS 2009/2010

As mentioned earlier, PriceWaterHouseCoopers will be contracted to assist with the compiling of the new financial statements.

7. GOBODO INCORPORATED: INTERNAL AUDIT CHARTER – AUDIT COMMITTEE CHARTER – INTERNAL AUDIT PLAN – PERFORMANCE MANAGEMENT REPORT

Audit Committee Charter and Internal Audit Charter accepted and signed off by Mr Rajkumar, Chairperson of the Audit Committee.

Internal Audit Plan to be assessed and item to be noted on agenda for next meeting.

Agreed that PWC will be assigned the task of identifying staff members that are not fully trained to perform the task at hand and suggest / advise of training to be done. Will form part of engagement with PWC.

Performance Management Systems Review for Quarter 1 and 2 submitted and passed.

7. CLOSURE

There being no further matters to discuss, the meeting was adjourned at 11h35.

Chairperson: 

Date: 30/03/2010

EXTRACTS OF MINUTES OF MEETING - AUDIT COMMITTEE HELD ON 25/03/2010

PRESENT : Mr N.U Rajkumar - Chairperson
: Mr L. Steenkamp - Member
: Mr V. Mseleku - Member

- 1) Yearly report plan including submission dates - required
 - MM / CFO to report back, to Audit Committee once reports have been submitted.
 - If submission late - explanations required.
- 2) Meeting of Audit Committee and S57 managers must be arranged.
 - Meeting to be held separately with each department.
- 3) Performance management
 - Performance appraisals and reports from internal Auditors required.
- 4) Electricity tariff increase
 - Have we budgeted for the deficit due to the electricity increase ie \pm 5.8 million.
- 5) Internal Auditors
 - Quarterly reports instead of half yearly reports required.
 - Reports from 01/07/2009 - outstanding.
- 6) Audit Findings - 16/03/2010
 - No feed back received
 - CFO promised feedback on 23/03/2010.



N. RAJKUMAR

CHAIRPERSON - AUDIT COMMITTEE

26/03/2010



ENDUMENI

ENDUMENI LOCAL MUNICIPALITY

INTERNAL AUDIT REPORT

PERFORMANCE MANAGEMENT SYSTEMS REVIEW

JANUARY 2010

DISTRIBUTION LIST:

Name of Responsible Personnel	Designation of Responsible Personnel
N. Rajkumar	Chairperson: Audit Committee
D.B. Cebekhulu	Municipal Manager
I. Grisdale	Chief Financial Officer



Chartered Accountants(SA)



Chartered Accountants(SA)

Gobodo Incorporated
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Registered Auditors

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22 January 2010

The Municipal Manager
Mr. D.B. Cebekhulu
ENDUMENI LOCAL MUNICIPALITY
PO Box 1965
Dundee
3000

Dear Sir,

In terms of the Audit Committee meeting that was held in January 2010, it was noted that the Annual Internal Audit Plan for the year ending 30 June 2010 that was presented for approval to the Audit Committee and management be approved at the next Audit Committee meeting to enable the new Audit Committee members to peruse the Audit Plan. The Performance Management Systems review as per the Annual Internal Audit Plan that was scheduled for execution in January 2010 was conducted as planned.

All the matters raised have been discussed with senior officials and we would like to express our appreciation to the various members of staff who have assisted us in carrying out our work.

It is the responsibility of the Endumeni Local Municipality management to ensure adherence to good corporate governance practices, to assess potential risks within Endumeni Local Municipality's operations and to implement an appropriate system of internal control to address such risks. Furthermore, it is the responsibility of Endumeni Local Municipality management to ensure that there is an effective control system in place to prevent and detect fraud.

The attached report records the result of our Internal Audit findings and possible recommendations on how the controls could be improved to overcome the identified weaknesses. The attached report has been set out in three sections:

- Section A** An executive summary documenting the mandate, audit objectives, scope of project, audit approach, sources of information, fraud and internal control and risk / threat rating.
- Section B** Executive summary of detailed findings.
- Section C** Which contains the detailed findings, recommendations and management comments.

Directors: Nonkululeko Gobodo (Executive Chairman), Sathie Gounden (CEO), Vonani Chauke,
Mahendra Dama, Dan Govender, Denas Hansjee, Herman Leach, Daya Nalcker, Neridra Moodley,
Imre Nagy, Chico Patel, Richard Rhoda, Donovan Simpson, Moss Sindane, Mike Tatheyden.
Associate Directors: Bill Cinnamond, Mervyn Ferreira, Shaun Nel, Derek Schraader, Victor Visser



This report has been prepared for the sole use of Endumeni Local Municipality's management. We do not accept responsibility to any other party to whom it may be shown or who of their own volition may decide to rely on it. It should be clearly understood by third parties that they enjoy such receipt for information only and that we accept no duty of care to them in respect of this report.

If you have any queries pertaining to the contents of this document, please contact:

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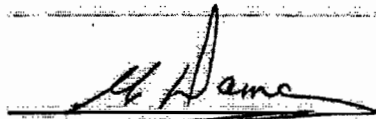
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Yours faithfully,



Mahendra Dama

Director

Gobodo Inc.

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SECTION A

1. MANDATE

In terms of the Audit Committee meeting that was held in January 2010, it was noted that the Annual Internal Audit Plan for the year ending 30 June 2010 that was presented for approval to the Audit Committee and management be approved at the next Audit Committee meeting to enable the new Audit Committee members to peruse the Audit Plan. The Performance Management Systems review as per the Annual Internal Audit Plan that was scheduled for execution in January 2010 was conducted as planned.

2. AUDIT OBJECTIVES

The primary objectives of the review were to assess the adequacy and effectiveness of the Performance Management System for the first and second quarter of the 2009 / 2010 financial year at the Endumeni Local Municipality's and assess whether they are working as intended.

3. SCOPE OF PROJECT

Business processes:

(1) Performance Management Systems (PMS)

Sub-processes within business processes:

- Review of the PMS policy and implementation within the municipality, Compliance to Municipal Planning Management Regulations, PMS - Section 57 management contracts, Quarterly internal audit reviews of PMS information.

The fieldwork was conducted from 18 January 2010 to 22 January 2010 and covered the period 01 July 2009 to 31 December 2009. No audit work was performed outside of this audit period (01 July 2009 to 31 December 2010) and subsequently changes to systems/processes have not been audited.

4. AUDIT APPROACH

- The audit approach was based on the following key procedures:
- Review of the Performance Management System (PMS) policy and implementation within the municipality;
- Compliance to Municipal Planning Management Regulations;
- PMS - Section 57 management contracts, quarterly Internal Audit reviews of PMS information;
- Raise findings where control deficiencies were noted;
- Obtain management comments for findings raised;
- Compile Internal Audit report for PMS.

5. SOURCES OF INFORMATION

Discussions were held with appropriate management. Audit evidence was obtained through observation and inspection of limited key documents and reports. It should be recognized that controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions.

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There are inherent limitations that should be recognized in considering the potential effectiveness of any system of controls. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes in judgment, carelessness, or other personal factors. Control procedures can be circumvented by collusion or by management override.

Our report has been prepared for your information and that of management of the Endumeni Local Municipality. We do not accept responsibility to any other party to whom it may be shown, or who, on their own volition, may decide to rely on it.

6. FRAUD AND INTERNAL CONTROL

While we have identified certain key controls, internal audit procedures alone, even when carried out with due professional care, do not guarantee that all fraud and errors will be detected. We have ensured that all internal audit work conducted is planned with a reasonable expectation of detecting significant control weaknesses in the specific areas reviewed. However, our reviews and investigations as internal auditors should not be relied upon to disclose all matters of fraud, defalcation or other irregularities which may exist. Management's attention is drawn to the inherent limitations in the reliance on internal controls and procedures mentioned above.

7. RISK / THREAT RATING

We have assigned potential risks to all of the findings that have been identified during this review. We have rated the risks according to the following ratings:

Key to risk/threat ratings:

- HIGH:** Key exposure identified has a potential for major impact on the municipality and should be resolved as a priority.
- MEDIUM:** Exposure identified is unlikely to have a major impact on the municipality, but should be resolved as soon as possible
- LOW:** Exposure identified does not have a major impact on the municipality, but should be resolved in due course

In assessing the actual or potential impact of our findings, the following factors were considered:

- The financial risk;
- The operational risk;
- The impact on the municipal image;
- The impact on third parties;
- The impact on employee morale.

For further explanation, we define the above-mentioned audit terms as follows:

Financial risks are those risks, which have an impact on the reliability and integrity of the financial information and the safeguarding of assets.

Operational risks are those risks, which have an impact on the ability to comply with policies, procedures, laws and regulations, achievement of established goals and objectives and the efficiency in the use of the municipalities resources.

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SECTION B

1. EXECUTIVE SUMMARY OF DETAILED FINDINGS

The following weaknesses were noted:

Process	Ref	Finding		Medium	
Performance Management Systems	1	Discrepancy between the first and second quarter Performance Management System reviews	√		
	2	Non-compliance with section 4(4)(a) of PMS regulations no. R805 issued 1 August 2006	√		
	3	Key Performance Indicator (KPI) not based on smart principal	√		
	4	Key Performance Indicators (KPI) not linked to integrated development plan (IDP)	√		
	5	Supporting documents not attached to the second quarter performance report	√		
	6	Revised target date for Key Performance Indicator (KPI) not set	√		

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SECTION C

1. PERFORMANCE MANAGEMENT SYSTEMS

1. DISCREPANCY BETWEEN THE FIRST AND SECOND QUARTER PERFORMANCE MANAGEMENT SYSTEM REVIEW

Finding:

Threat: High

Effort: Low

Section 44 of the Local Government Municipal Systems Act 32 of 2000, states that " A municipality, in a manner determined by its council, must make known, both internally and to the general public, the key performance indicators and performance targets set by it for purposes of its performance management system".

During the detailed testing of the Performance Management System (PMS) at the Endumeni Local Municipality for the performance period (July 2009 to December 2009), it was noted that there was a discrepancy in the status of the Key Performance Indicator between the 1st and the 2nd quarter. The following serves as an example;

Key Performance Area	Key Performance Indicator	Target	Performance Status on date of Review	
			1 st Quarter	2 nd Quarter
Financial Management	Answer all queries relevant to Department in the report of the AG	100% compliance	100%	In Progress
	Execution of general financial management responsibilities as per section 78 of the MFMA	100% compliance	100%	In Progress

In addition to the above, no supporting evidence was furnished supporting the attainment of the 100% above.

Implication:

- The measurement of objectives may be inaccurate and may not be related to the overall objectives of the municipality to be achieved within the financial year;
- The payment of performance bonuses may not be aligned to due performance expected at the end of the financial year

Recommendation:

- There must be consistency in the quarterly assessment reports especially for the once off indicators;
- Management should maintain evidence and goals for all the key performance indicators achieved.

Management Comment:

Finding noted

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Action Plan:

Second quarter to be amended to read 100%.

Supporting documentation for the attainment of 100% for 1st quarter will be provided to Internal Audit on the next PMS audit.

Responsible Person:

Chief Financial Officer

Implementation Date:

Next PMS audit

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2. NON COMPLIANCE WITH SECTION 4(4)(A) OF PMS REGULATIONS NO. R805 ISSUED 1 AUGUST 2006

Finding:

Threat: High
Effort: Low

Section 4(4)(a) of the PMS Regulations No. R805 issued 01 August 2006 states that the employment contracts and performance agreements must be signed within one month of the commencement of the financial year.

During the detailed testing of the first quarter Performance Management Systems (PMS) reports at the Endumeni Local Municipality on the 19/01/2010, inspection of the performance agreement for 2009 / 2010 revealed that the contract for the Manager Corporate Services was not signed within one month of the commencement of the financial year (being 31 July 2009). The contract and the plan was signed off by the Municipal Manager, Manager Corporate Services and witnesses on the 18 August 2009.

Inspection of the 2009 / 2010 performance plan for the Manager Corporate Services revealed that it was signed by the Manager Corporate Services and Municipal Manager, however, the date the 2009 / 2010 performance plan for the Manager Corporate Services was signed was not documented.

Implication:

- Non compliance with Section 4(4)(a) of the PMS Regulations No. R805 issued 01 August 2006.

Recommendation:

- PMS officer should ensure that all PMS contracts and performance plans are signed off by all Section 57 employees within 1 month of the commencement of the municipal financial year to ensure compliance with section 4(4)(a) of the PMS Regulation No. R805 issued 01 August 2009.

Management Comment:

Noted

Action Plan:

All performance contracts will be concluded within the Legislative Framework

Responsible Person:

Municipal Manager

Implementation Date:

01 July 2010

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3. KEY PERFORMANCE INDICATOR (KPI) NOT BASED ON SMART PRINCIPAL

Finding:

Threat: High

Effort: Medium

Key performance indicators and key performance targets should be developed according to the "SMART" principle and in a manner that enables ease of review and mapping of evidence to support achievement of such indicators and targets.

During the detailed testing of the first and second quarter Performance Management System (PMS) reports at the Endumeni Local Municipality on the 19/01/2010, it was revealed through inspection of the first quarter assessment report of the Section 57 employees that the following KPI's were not based on the SMART principal i.e. the target dates of the KPI's were not defined.

Chief Financial Officer:

Key Performance Area	Key Performance Indicator	Target
Sound Management	Monthly meeting of Senior Finance Staff	Minutes

Manager Corporate Services:

Key Performance Area	Key Performance Indicator	Target
Endumeni Libraries	Number of books, magazines and audio visual material issued	12 reports
	Number of educational programmes conducted	6 programmes
Talana museum	Number of visitors recorded	12 reports
	Number of events	3
	Board of trustees meetings held	6

Manager Technical Services:

Key Performance Area	Key Performance Indicators	Target
Waste Management	% of households with a weekly refuse removal service	80%
Financial Management	Answer all queries relevant to Department in the report of the AG	100% compliance
	Execution of general financial management responsibilities as per section 78 of the MFMA	Continuous
Sound management	% of posts that have formal job descriptions	100 %

NB: The above will also be for the Municipal Manager since he is evaluated based on the performance of the individual departments.

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Implication:

- Key performance target does not comply with the "SMART" principle;
- It may not be possible to evaluate the evidence supporting the performance target.

Recommendation:

- Management should review and revise the KPI and performance targets for the 2009/2010 financial year in compliance with the "SMART" principle, where required;
- These should then be adopted ex-post facto and approved by the Mayor and the Municipal Manager.

Management Comment:

Performance Contracts and Performance Plans of Section 57 Managers for fiscal year 2010/2011 have been prepared in conjunction with PricewaterhouseCoopers Advisory Services (Pty) Ltd as per Council Resolution No.C03/29/06/09 and letter of appointment dated 22 July 2009.

Action Plan:

To be implemented in the 2009 / 2010 financial year

Responsible Person:

Municipal Manager

Implementation Date:

01 April 2010

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4. KEY PERFORMANCE INDICATORS (KPI) NOT LINKED TO INTEGRATED DEVELOPMENT PLAN (IDP)

Finding:

Threat: High

Effort: Low

Section 8 of the Performance Management System Regulations No. 805 issued 01 August 2006 states that the KPIs as stated in the Performance Contracts of Section 57 employees must be directly linked to the IDP for the year under review.

During the detailed testing of the first and second quarter Performance Management Systems (PMS) reports at the Endumeni Local Municipality on the 21/01/2010, it was noted through inspection that the following KPIs of the Section 57 employees Performance Plans could not be traced to the municipality's 2009/2010 IDP.

Chief Financial Officer:

Key Performance Area	Key Performance Indicator	Target
Finance – MFMA General	Submission of yearly MFMA implementation plan to National Treasury	October 2009
	Submission of yearly Budget Evaluation Check list return to National Treasury	October 2009
	Submission of following quarterly returns to National Treasury	Quarterly
	1. 14 Urgent Implementation Priorities; 2. Long-term Contracts; 3. External Debt created; 4. Municipal entities	
	Open of primary bank account	Monthly
	1. All monies paid into primary account; 2. Bank account details submitted to National Treasury; 3. Control of bank account as delegated by MM; 4. Withdrawal from bank accounts to ensure compliance with section 7 to 11	
	Submission of quarterly budget reports to Council	Quarterly
Finance – MFMA Budget	Submission by latest 10 th working day of monthly budget statement as per section 71	Monthly
Finance – Financial statements	Completion and submission to Auditor General	November 2009
	Timeous response to Auditor Queries	As per AG directives
	Conversion to GRAP	December 2009

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Key Performance Area	Key Performance Indicator	Target
Sound Management	Monthly meeting of Senior Finance Staff	Minutes
Bids	Awarding of Electricity Vending Bid	October 2009

Manager Technical Services:

Key Performance Area	Key Performance Indicators	Target
Financial Management	Answer all queries relevant to Department in the report of the AG	100% compliance
	Execution of general financial management responsibilities as per section 78 of the MFMA	Continuous
Sound management	% of posts that have formal job descriptions	100 %

NB: The above will also apply to the Municipal Manager's KPI's since he is evaluated based on the performance of the individual departments.

Implication:

- The achievement and progress of the IDP objectives would not be able to be measured.

Recommendation:

- Performance targets and KPI's should be developed and linked directly to the objectives, which have been set in the IDP.

Management Comment:

Performance Contracts and Performance Plans of Section 57 Managers for fiscal year 2010/2011 have been prepared in conjunction with PricewaterhouseCoopers Advisory Services (Pty) Ltd as per Council Resolution No. C03/29/06/09 and letter of appointment dated 22 July 2009 and will be implemented in terms of reviewed 2010 2011 IDP.

Action Plan:

To be implemented in the 2009 / 2010 financial year

Responsible Person:

Municipal Manager

Implementation Date:

01 April 2010

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5. SUPPORTING DOCUMENTS NOT ATTACHED TO THE SECOND QUARTER PERFORMANCE REPORT

Finding:

Threat: High

Effort: Low

In terms of good practice, each employee's deliverables are defined in a performance plan where evidence required for each key performance area (KPA), and key performance indicator (KPI) is documented.

During the detailed testing of the first and second quarter Performance Management System (PMS) reports at the Endumeni Local Municipality on the 20/01/2010, it was noted through inspection of the Chief Financial Officer's (CFO) second quarter PMS report that the evidence supporting the achievement of the following Key Performance Indicator's (KPI's) were not attached to the second quarter PMS report.

- Submission of the following quarterly returns to National Treasury (1.3):
- 14 Urgent Implementation Priorities (1.3(a));
- Long-term Contracts (1.3(b));
- External Debt created (1.3(c));
- Municipal entities (1.3(d));
- Proof supporting the submission of the second quarter budget to Council (1.5);
- Submission by latest 10th working day of monthly budget statements as per section 71 for December 2009 (2.5);
- Proof of discussion between the CFO and Auditor General allowing the municipality to submit its 2008/2009 financial statements to the Auditor General on the 28/02/2010 (4.1).

Implication:

- Assessment report information may not be accurate, complete and valid.

Recommendation:

- All Section 57 employees should ensure that valid, accurate and complete evidence supporting the achievement of quarterly Key Performance Area's, and KPIs are attached to their quarterly PMS reports.

Management Comment:

All highlighted sections with the exception of the last bullet form part of the third quarters review as the submitted documentation is compiled and submitted after the end of the second quarter. Minutes of the meeting between the Chief Financial Officer and Auditor General are available

Action Plan:

Supporting documentation for the attainment of the above will be provided to Internal Audit on the next PMS audit.

Responsible Person:

Chief Financial Officer

Implementation Date:

Next PMS audit

Internal Audit Comment:

The above were noted in per the Performance Plan for 2009 / 2010 for the second quarter (01 October 2009 to December 2009). Management should therefore revisit the management commentary. Numbering in brackets indicate the reference-number as noted in the Performance Plan.

**ENDUMENI LOCAL MUNICIPALITY
PERFORMANCE MANAGEMENT SYSTEMS REVIEW
JANUARY 2010**

6. REVISED TARGET DATE FOR KEY PERFORMANCE INDICATOR (KPI) NOT SET

Finding:

Threat: High
Effort: Low

Key performance indicators and key performance targets should be developed according to the "SMART" principle and in a manner that enables ease of review and mapping of evidence to support achievement of such indicators and targets.

During the detailed testing of the first and second quarter Performance Management System (PMS) reports at the Endumeni Local Municipality on the 20/01/2010, it was noted through inspection of the Chief Financial Officer's (CFO) second quarter PMS report that the "Conversion to GRAP" KPI had not been achieved by the target date being December 2009. Further inspection of the report revealed that the reason why the KPI was not achieved was due to asset verification problems experienced during the conversion phase. However, a revised target date for this KPI was not set.

Implication:

- Key performance target does not comply with the "SMART" principle;
- It may not be possible to evaluate the evidence supporting the performance target.

Recommendation:

- Municipal Manager when evaluating the PMS report of the CFO, Manager Technical Services and Manager Corporate Services should ensure that revised target dates are set for all KPIs which have not been achieved;
- Revised target dates to be discussed with Section 57 employees prior to been set and must be based on the characteristics of the SMART principal.

Management Comment:

Performance Contracts and Performance Plans of Section 57 Managers for fiscal year 2010/2011 have been prepared in conjunction with PricewaterhouseCoopers Advisory Services (Pty) Ltd as per Council Resolution No. 003/29/06/09 and letter of appointment dated 22 July 2009.

Action Plan:

To be implemented in the 2009 / 2010 financial year

Responsible Person:

Municipal Manager

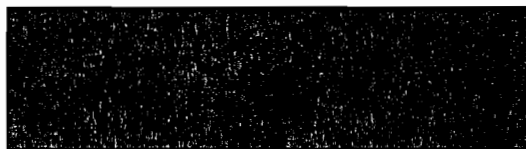
Implementation Date:

01 April 2010

Endumeni Municipal Council

AUDIT COMMITTEE

AGENDA



23 JUNE 2010

AUDIT COMMITTEE MEETING TO BE HELD ON THE 23 JUNE 2010

Notice is hereby given in terms of section 166(4) of the Municipal Finance Management Act no.56 of 2003 that an Audit Committee Meeting will be held on Wednesday the 23 June 2010 commencing at 10:00 am at Endumeni Municipality Main Committee Room.



Mr. N. Rajkumar

Chairperson

Date

14 June 2010

TO:

MEMBERS: Mr. N. Rajkumar

Mr V Mseleku

Mr L Steenkamp

Chairman: Audit Committee

Audit Committee Member

Audit Committee Member

OFFICIALS: Mr JB Matlman

Mr I Grisdale

Mr S Perumall

Mr R Lahidas

Acting Municipal Manager

Chief Financial Officer

Manager Corporate Services

Gobodo Inc.

1. **OPENING/WELCOME (Mr. Rajkumar)**

2. **NOTICE OF MEETING**

3. **APPLICATION FOR LEAVE OF ABSENCE /APOLOGIES**

4. **OFFICIAL ANNOUNCEMENTS**

5. **CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

That the Minutes of the Audit Committee Meeting held on the 10th of June 2010 attached as Annexure "A" to the Agenda be approved as a true reflection of proceedings.

For Consideration

6. **STATUTORY APPOINTMENTS and ELECTIONS**

Nil

7. **QUESTIONS OF WHICH NOTICE HAS BEEN GIVEN**

8. **MATTERS ADJOURNED FROM PREVIOUS MEETING, INCLUDING MATTERS TO BE RE-CONSIDERED (Motions) EXCLUDING DEFERRED MOTIONS**

Nil

9. **PECUNIARY INTEREST (To be by Officials)**

10. **DETERMINATION OF AGENDA (Sequence of discussion of agenda items)**

As presented on the agenda.

MATTERS TO BE DISCUSSED

AC 7(1)

1. **Performance Management Systems report by Internal Audit for the third quarter of the 2009 / 2010 financial year (Attached as annexure "B")**