



# **Sekhukhune District Municipality Audit Committee Annual Report for the year 2009/10**

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In terms of section 14(2)(a) of the Municipal Planning and Performance Management Regulations, 2001, a Municipality must annually appoint and budget for a performance audit committee consisting of at least three members the majority of which may not be involved in the Municipality as a councilor or an employee. Paragraph (c) of the section mentioned above states that a municipality may utilise any audit committee established in terms of other applicable legislation as the performance audit committee envisaged in paragraph (a), in which case the provisions of this sub regulation, read with the necessary changes, apply to such an audit committee.

SDM opted to utilise the existing audit committee to fulfill the responsibilities of the performance audit committee.

### **Audit Committee Responsibility**

The regulation states the following as some of the responsibilities of performance audit committee:

- A performance audit committee must meet at least twice during the financial year of the municipality concerned.
- A special meeting of the performance audit committee may be called by any member of the committee.
- A performance audit committee may determine its own procedures after consultation with the executive mayor or the executive committee of the municipality concerned, as the case may be.
- A performance audit committee must –
  - review the quarterly reports submitted to it in terms of sub-regulation (I)(c)(ii);
  - review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and
  - at least twice during a financial year submit an audit report to the municipal council concerned

- In reviewing the municipality's performance management system, the performance audit committee must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.

### **Audit Committee assessment of the performance information**

The performance audit committee has not received audited mid-year performance management information as such the committee could not interrogate unaudited information. It was therefore decided that the mid-year performance management information should be subjected to internal audit process prior to the committee expression its assessment of the performance management information.

The audit committee has, however, performed a high level review of the annual report and noted the following issues relation to the Municipality's performance report:

#### **1. Non-compliance with legislation**

We have checked to what extend does the Annual Performance Report of the municipality for 2009/2010 financial year complies with Chapter 12 of the Municipal Finance Management Act.

#### ***Criteria***

MSA Sec 46(2)

The Annual Performance Report must form part of the Municipality's Annual Report in terms of Chapter 12 of the Municipal Finance Management Act

MFMA Circular No. 11

This format is based on the Government Finance Statistics (GFS) Functional Classification System and is the national standard for classification of public sector expenditure by functions, and should be used wherever possible. Details should also be provided on the extent of free basic services provided by the municipality. Where other providers are providing such service (e.g. Eskom, water boards, municipal entities), this should be mentioned, including the number of households to which they provide the service, and the extent of service delivery.

## **Finding**

We have noted that the Annual Performance Report / Functional Area Service Delivery Report was not prepared in accordance with the Annual Report Guidelines issued by the National Treasury (Circular No. 11 of the MFMA). For example the following details were omitted for all the Key Performance Areas in the Actual Performance Achieved section:

- Details of improvements planned for next year (where the target was not met).

However, the following were included:

- Variance between performance planned and actual performance
- Explanation of variances

## **2. Performance of service providers not assessed & included in the Annual Report**

### **Criteria**

*Section 46(1)(a) of the MSA*

*A municipality must prepare for each financial year a Performance Report reflecting the performance of the municipality and of each external service provider during that financial year.*

### **Finding**

The Performance Report included in the Annual Report does not reflect the performance of service providers who provided goods and services to the municipality in 2009/2010 financial year.

## **3. No comparison of the performance of both the municipality and service providers with previous financial year's performance**

### **Criteria**

*Section 46(1)(b) of the MSA*

*A municipality must prepare for each financial year a Performance Report reflecting a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year.*

### **Finding**

The Performance Report does not reflect the comparison of the performance of both the municipality and service providers with targets set for and performances in the previous financial year.

## **4. No assessment of arrears on municipal taxes and service charges**

### **Criteria**

*Section 121(3)(e) of the MFMA*

*The Annual Report of the municipality must include an assessment by the Municipality's accounting officer of any arrears on municipal taxes and service charges.*

### **Finding**

There is no assessment by the municipality's Accounting Officer, of any arrears on municipal taxes and service charges, included in the Annual Report for 2009/2010 financial year.

## **5. No assessment of performance against the measurable performance objectives for revenue collection**

### **Criteria**

*Section 121(3)(f) of the MFMA*

*The Annual Report of the municipality must include an assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue collection from each revenue source and for each vote in the Municipality's approved budget for the relevant financial year.*

### **Finding**

There is no assessment in the Annual Report by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section

17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for 2009/2010 financial year.

## **6. No actions taken or to be taken in response to issues raised in the audit reports**

### **Criteria**

*Section 121(3)(g) of the MFMA*

*The Annual Report of the municipality must include the particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d).*

### **Finding**

We have noted that the particulars of corrective actions taken or to be taken in response to issues raised in the audit reports (referred to in paragraphs (b) and (d)) of the Auditor-General were omitted in the Annual Report.

### **Way forward**

The committee will in the next Council meeting provide a report detailing its assessment of the performance management information.

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**Mr. M. Mokwele**  
**Chairperson of the Audit Committee**  
**27 January 2011**