

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OVERSIGHT REPORT

2011/2012

SEDIBENG DISTRICT MUNICIPALITY

CONFIDENTIAL

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) MEMBERS

- Clr Mokako S.M (ANC) - **Chairperson**
- Clr Masilo J (ANC)
- Clr Majola AK (ANC)
- Clr Maseko BP (ANC)
- Clr Maseko T (ANC)
- Clr Matsei N.P (ANC)
- Clr Mollo D. S (DA)
- Clr Peters F.W. (DA)
- Clr Pooe N.S (PAC)

- Clr. B.Modisakeng - Speaker of the council, serving in ex-officio capacity

FOREWORD BY CHAIRPERSON

This is the fourth (04) submission of the oversight report of the Municipal Public Accounts Committee since elected by council. The report is provided in terms of council resolution and MPAC terms of reference. MPAC is now fully functional committee with an office at Vereening aerodrome, occupied on fulltime basis by the chairperson and supporting staff. The council has approved a budget that is used for committee activities under the adjustment budget processes.

Legal Framework

The annual oversight is compiled in terms of Section 129(1) of the Municipal Finance Management Act, No. 56 of 2003 which read as follows: “The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include statement whether the council-

- (a) has approved the annual report with or without reservations;
- (b) has reject the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.”

The Municipal Finance Management Act (MFMA), Circular No 32, stipulate clearly the way the overall financial activities of the council should be handled and more emphasis is on the functionality of the oversight committee. Also the report ensures the executive and the administration account on the work of a municipality

Stakeholders

The annual report was posted on the municipality's website and public places though there is no indication as to whether inputs/submission was received from the community. Meetings with the Auditor general and Gauteng Department of Finance were also held. After the adoption of the Annual report, the committee will undertake outreach programmes amongst the communities to promote its work. Meetings were also held with senior management and organized labour on the annual report.

Committee Meetings

Five (5) meetings were held (find attached minutes) and all formed a quorum. Members of MPAC serve in other committees of council, except the chairperson, which in some instances it becomes difficult for the committee to meet its deadlines. Members and chairperson of the committee also attended various meetings convened by other government department and Emfuleni Local Municipality MPAC.

Capacity Building

Capacity for the committee is built through engagements with the office of the Auditor General, Gauteng Provincial Government, National Treasury and Provincial Treasury and where possible through accredited training service providers.

Conclusion

The oversight committee is there to ensure that the municipality runs its affairs in a manner that will promote effective use of Municipal resources. These will strengthen our hard fought and earned democracy. This is a just cause that all of us have to rally behind to strengthen oversight and promote good governance.

Level of non-compliance by departments remains a thorny issue. The pursuit of value for money is imperative, if government is to improve service delivery standards. As the committee we believe that to fully discharge our council obligation and to oversee the executive function, more work needs to be done. Our work was modeled on National and Provincial oversight systems.

The support received from the Office of the Speaker and the committee section in the municipality towards ensuring that the process is on track is appreciated. The committee also thanks the assistance of National and Provincial Treasury, the Department of local Government Housing and Traditional Affairs in presenting a brief analysis on the Annual Report for 2011/12 financial year, including the office of the Auditor General. The MPAC administrative support, advice and the research work has been of great help since the officials from this office have been exposed to number of difficulties in concluding and completing this report.

Finally, I wish to congratulate the commitment, the unity and contribution made by the committee members and the support the Speaker gave to this committee since its inception.

Towards enhanced service delivery and financial accountability

Kind Regards



Cllr M S Mokako

MPAC Chairperson

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GLOSSARY

AFS	-	Annual Financial Statements
AG	-	Auditor General
ANC	-	African National Congress
APAC	-	Association of Public Accounts Committees
CFO	-	Chief Financial Officer
CAPEX	-	Capital Expenditure
CPIX	-	Consumer Price Index
DA	-	Democratic Alliance
E-PMS	-	Electronic Performance Management System
IDP	-	Integrated Development Plan
MEC	-	Member of Executive Council
MFMA	-	Municipal Finance Management Act
MPAC	-	Municipal Public Account Committee
MSA	-	Municipal Systems Act
OPEX	-	Operating Expenditure
PAC	-	Pan Africanist Congress
SDM	-	Sedibeng District Municipality

1 PREAMBLE

The oversight report covers the period 2011/12 financial year and started off with a broad outline of the objectives of the Municipal Public Account Committee (MPAC). The Sedibeng MPAC committee set out to achieve the following objectives;-

- There is no fraud or corruption in the administration or in council
- There is legal compliance whenever required
- That we get value for money whenever money is spent
- That the budget and IDP is properly aligned
- That there is proper service delivery in all areas of our jurisdiction and always take into consideration the needs of the people, needs established through public participation.
- That the impact of our report will be of such a nature, that it is useful to council and that in the final analysis, the committee is able to advice the council correctly.

Methods used by the committee in preparing the oversight report included the convening of meetings where the Annual Report and all supporting documentation were scrutinized.

Government departments were invited in a search for clarities on their views regarding the overall performance of the institution and they briefed the committee on important issues which were not considered during the 2011/12 financial year with regard to financials, pre-determined objectives etc.

Auditor General was also invited to provide a broad outline on the gaps and key strategic areas which the municipality could not do correctly. Questions were formulated on specific areas of concern raised by different stakeholders of government and members of MPAC. Senior managers and some members of the mayoral committee (MMC's) were also invited to respond and provide clarities on IDP and annual report. All these engagements have helped the committee in drafting and the compilation of the oversight report.

Accordingly the oversight report will cover: The Integrated Development Plan, Annual Report; Service Tariffs and Auditor General's Report.

2 LIST OF DOCUMENTS

A list of documents were considered in the process of finalization of the oversight report, not all documents will be attached to the report, only those documents that had a direct bearing on the work of the committee are attached. Other documents can be found in the Office of the Speaker for inspection or perusal and for the purpose of transparency and the promotion of good governance. Attached are the following:

- Annexure A - Minutes of the meetings of the Municipal Public Accounts Committee
- Annexure B- Presentation by the office of the Department of Local Government and housing on Sedibeng District Municipality Annual Report 2011/2012
- Annexure C- SDM briefing or workshop by the Auditor General's office
- Annexure C - Questions compiled for the management and the Executive Mayor
- Annexure D- Responses from the Management and the office of the Executive Mayor.

3 TIME FRAMES FOR ANNUAL REPORT

The following outlines the major steps in the Annual Reporting process indicating responsibilities and dates prescribed in the Municipal Finance Management Act and Municipal Systems Act.

Prescribed Dates	Actions	MFMA (MSA)	Responsibility of	Compliance
31 August	Submit municipality's AFS to Auditor-General	S126(1)(a)	Municipal Manager	Complied
31 August	Submit municipal entity AFS to parent municipality and to Auditor-General	S126(2)	Municipal Entity Accounting Officer	complied
30 September	Submit consolidated AFS to Auditor-General (municipalities and entities)	S126(1)(b)	Municipal Manager	complied
31 October and quarterly thereafter	Auditor-General submits to Parliament and the provincial legislature names of any municipalities, which have failed or continue to fail to submit AFS.	S133(2)	Auditor-General	complied
Within three months of receiving AFS (30 November)	Audit report returned to Municipal Manager	S126(3)	Auditor-General	complied

Prescribed Dates	Actions	MFMA (MSA)	Responsibility of	Compliance
or 31 December)				
On receipt of audit report	Municipality must address any issues raised by the Auditor-General and prepare action plans to address issues and include these in annual report. Provide copy of report to Audit Committee	S131(1)	Municipal Manager. Mayor must ensure compliance by municipality	Complied
31 December	Entity submits annual report to Municipal Manager	S127(1)	Municipal Entity Accounting Officer	Complied
31 December	Annual Reports of municipality and entities tabled in Council	S127(2)	Mayor	Complied
Immediately after annual report is tabled	Annual report made public and local community invited to submit representations.	S127(5)(a)(MSA)S21A and B	Municipal Manager	Complied
Immediately after annual report is tabled	Annual report submitted to Auditor-General, relevant provincial treasury and provincial department responsible for local government in the province.	S127(5)(b)	Municipal Manager	Complied
When meetings held to discuss the annual report	Attend meetings to respond to questions concerning	S129(2)(a)	Accounting Officer of municipality and entity	Complied
Following meetings to discuss the annual report	Submit copies of minutes of the meetings to the Auditor-General, provincial treasury and provincial department responsible for local government	S129(2)(b)	Accounting Officer of municipality and entity	complied
Within two months of report being tabled (31 March)	Council to have considered the annual report and adopted an oversight report	S129(1)		None complied. Due to outstanding work the municipality could not table the oversight report and a

Prescribed Dates	Actions	MFMA (MSA)	Responsibility of	Compliance
				report was prepared and serves before the council for noting.
Within seven days of adoption of oversight report	Make public the oversight report	S129(3)S21 A-MSA	Accounting Officer	None complied pending the adoption of the oversight report.
Within seven days of adoption of oversight report	Submit to the provincial legislature, the annual report of municipality and entities and the oversight reports on those annual reports.	S132(1)& (2)	Accounting Officer	None complied pending the adoption of the oversight report.
As necessary	Monitor compliance with submission of reports to provincial legislature	S132(3)	MEC for local government in the province	Complied
Within 60 days of receiving annual reports	Report to provincial legislature any omissions by municipalities in addressing issues raised by the Auditor-General	S131(2)	MEC for local government in the province	Complied
Annually	Report to Parliament on actions taken by MEC's for local government to address issues raised by Auditor-General on municipal and entity AFS	S134	Cabinet member responsible for local government	Not applicable to municipality

4 OVERSIGHT FRAMEWORK

The oversight framework as attached contains the following key aspects:

4.1. Integrated Development Plan (was the IDP tabled before the council)

The municipality adopted and approved the IDP for 2011/2012 with the MEC comments for the period 2010 and 2011 financial year in a council 54th held on 20/04/2011 as resolution A1019.

The IDP contains MEC comments for 2010/11 financial year as follows;

The department of Local Government and housing congratulated the municipality for timeously [preparation, review and adoption of the final Integrated Development Plan(IDP) for the year 2011/12 financial year and subsequent submission for public comments in line with section 32 of the MSA. **DLGH** expressed its appreciation to the municipality for its continuous cooperation and active participation in efforts , through the July –to July road map aimed at strengthening joint planning and budgeting among three spheres of government in pursuit of a globally competitive Gauteng Region. Comments were made as follows,

A) Recurrences of Issues-the municipality is urged to take comments made in the past four years on IDP, and the Auditor –General’s report as an input into the new planning cycle for the next term of local government. **Response or intervention by the municipality;** the comments is acknowledged, and the SDM will consider the previous issues that were raised through MEC’s comments and incorporate such during the new planning cycle.

B) Towards Outcome Based Planning

The IDP in the next five years must be structured in a manner pursuant to the twelve National Outcomes and outputs adopted by cabinet in January 2010. The outcomes are seen as a critical ingredient to the pursuit of competitive Gauteng City Region .**Response by SDM;** The comment is acknowledged and the municipality will incorporated these outcomes during planning and will further indicate its role and influence in ensuring that all the National outcomes are achieved cooperatively as government and sector departments. Furthermore workshops will be conducted to ensure that all role players understand their role and responsibilities as far as these outcomes are concerned.

C) 5 Year IDP and Differentiation: The IDP remains a five year strategic planning instrument. There is an intention on the IDP becoming a three year operational planning instrument. However, this has not as yet mounted to policy and/ or legislation. The present IDP structure should be maintained until the discussions regarding simplified and differentiated IDP have been concluded. **INTERVENTIONS/ RESPONSE:** The comment is acknowledged and the SDM will implement accordingly as guided by legislation in this regard.

C)1. LOCAL GOVERNMENT ELECTION: The local government elections usually have an effect on the IDP and Budget process. The municipalities are urged to follow the prescription of the law, as proclaimed in both the MSA and MFMA, when preparing and adopting the IDP and Budget. **INTERVENTIONS/ RESPONSE:** The 2011/2012 IDP is regarded as a bridging IDP that seeks to ensure that there is a plan in place which is going to be implemented by the incoming administration as the Local Government Elections are taking place towards the end of the Municipal Financial Year. The IDP and the Budget Office prepared a report that was based on the Budget Circular which had two options as far as the preparation of budget and IDP is concerned. The first option was that the outgoing administration adopts the IDP and Budget by end of April 2011 before the Local Government Elections. The second option was to wait for the incoming administration to adopt the IDP and the Budget. The SDM adopted option one.

D) (1) Was there any compliance?

The IDP complies with the provision made in the Municipal Systems act, s (26) with regard to the components. MPAC committee after rigorous engagements felt that the content has lot of challenges as there were number of issues identified by the committee. The MEC's comments were not considered on the reviewed for the following financial year.

D (2) Alignment to the budget.

There was no alignment with regard to IDP and the Budget. Number of projects was not implemented and the MPAC committee identified that as a gap that continues to pose a challenge in the municipality, in responding to the needs of the community it serve. The translation of the projects committed in the IDP to the SDBIP is still a challenge and the municipality should organize training for its employees as part of capacity.

4.2 Auditor General Report

Findings of the Auditor General are as follows;

Emphasis of matters-

Significant uncertainties-as disclosed in note 29 to the financial statements, the entity is a defendant in various lawsuits. The ultimate outcome of the matters cannot presently be determined and therefore no provision for any liabilities that may result has been in the financial statements.

Material under spending- the municipality materially underspent on the capital expenditure budget amounting to R7 750 950(33%). As a consequence, the municipality has not achieved some of its capital project objectives.

Material findings-the municipal Systems Act, section 41(c) requires that the integrated development plan should form the basis for the annual report, therefore requiring the consistency of objectives , indicators and targets between planning and reporting documents. A total of 23% of the reported indicators and targets are not consistent with the indicators and targets as per the approved **SDBIP**. This is due to the lack of oversight responsibility regarding performance reporting

Achievement of planned targets--Of the total number of 1117 planned targets 257 were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Compliance with laws and regulations-Annual financial statements, performance and annual report-The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.

Material misstatements of disclosure-Items receivables and expenditure identified by the auditors were adequately corrected, resulting in the financial statements receiving an unqualified audit opinion.

Leadership- The Auditor General also picked up that the accounting officer did not adequately exercise oversight responsibility regarding performance reporting.

The **Predetermined objectives-** Performance objectives reported was not consistent with the annual performance plan, resulting in findings being raised. **Financial and performance management** did not have sufficient monitoring controls to ensure consistent reporting on the annual performance report.

4.3. Specific Grants

Restructuring grants are not applicable to the district. Grants that we are having at the level of the district are grants such as Municipal Infrastructure Grant, Governments grants and subsidies, Equitable shares, Emergency and Ambulance Services, Provincial grants, Neighborhood Grants and DLG Grants.

4.4. CFO's response to Auditor General Report and corrective measures taken

MPAC committee will continue to monitor the implementation of the Action Plan as it has been submitted and also attached to the Revised Annual Report.

4.5 Credit control and debt control

A credit control and debt collection policy was in place. The committee raised that in future it will also play an oversight role on the effective part of the policy, because revenue service collection levies and ambulance fees were not collected in that particular year.

4.6 Municipal Bank Account

The council is using a main account which is ABSA. And the council is also using other savings accounts for investments such as FNB and Standard bank.

4.7 Cash, Investments, and Asset Management

A Cash, Investment and Asset Management policy was in place. The committee further resolved that in future they will keep an eye on how effective the policy is with regard to cash handling of entities as they have identified challenges during the site visits on two entities Fresh Produced Market and Airport. During its departmental visits the committee's findings were that of handling of funds which was not done according to procedures in these entities and the committee's findings should be communicated to the Municipal Manager.

4.8 Debt Register

The debt register was in place. Attention should also be drawn on how deviations were reported to the Provincial Treasury or any relevant institutions.

4.9 Financial Management

According to Municipal Systems Act (MSA), 2000 s46 sub s3 (a) (i) stipulate the annual report should be published and written notice be sent to the Auditor General and the MEC. The Sedibeng District Municipality website only contains 2010/11 Annual Report as this forms part of noncompliance. Failure to do so points to lack of accountability, lack of transparency and generally lack of best practice with regard to corporate governance and the full compliance with regard to regulation 66 of MFMA act.

4.10 Supply Chain Management

Supply Chain Management policy was in place. Tender documents are now centralized at Supply Chain Management according to the project plan, to address tendering and procurement issues. And it was emphasized that an oversight role should be played on whether the accounting officer submit the report on the implementation plan of the policy, which should takes place 30 days after the end of the financial year.

4.11. Circular 32.63 and 11 of national treasury

The Municipal Public Account Committee will be guided by the above mentioned regulation in doing and completing its work and it will also expect the municipality to fully adhere as the objective is to promote good governance and enhance transparency and accountability.

4.12 Internal Audit Function

The services of the internal audit functioning was outraced to a company called Grant Thornton. The committee will monitor and follow up on the performance of company.

4.13 Audit Committee

Audit committee was in place and functional. The audit committee did not submit a comprehensive report on how they have done the assessment on the Annual Report for the financial year 2011/12, and it has failed to fulfill its responsibilities for the year 2011/12, as set out in section 166(2) of the MFMA. The audit committee operates in accordance with approved written terms of reference to council. The MPAC committee resolved to make follow ups that the committee complies in terms of reporting or submitting its view about the following Annual Report of 2012/13.

4.14. Audit Queries

The committee will look beyond what the Auditor General has raised as a root causes and perform its oversight accordingly in rectifying the current situation.

5. CONCLUSION

The committee received representations and submissions from the Mayor, Municipal Manager, and municipal department, which in effect changed some of the annual report aspects. The annual report did not comply or was not done in terms of the new template as agreed to with Gauteng Department of Finance. Also the chronology, page numbering, sequence of reports/paragraphs, dates and numbers are not correct in the annual report. All components in the annual report will have to be revised and re-tabled in council within a specified time frame.

RECOMMENDED

1. THAT the council condones the late submission of the oversight report for the 2011/12 financial year which was supposed to have been tabled two(2) months from the date that the Annual Report was tabled before council and which formed the basis on which the MPAC committee conducted its oversight.
2. THAT the council also note and condone the current submission as it was as a result of the council resolution adopted in the council 67th of 08 May 213, ***“that the council deferred the Annual Report back to administration for further revision of certain components”***
3. THAT after council has fully considered the final revised annual report of the municipality adopts and approves it with the following recommendations;
 - 3.1. That the council note the submissions of the responses made by different clusters as per request of the committee on issues raised out of the annual Report item 8 annexure B
 - 3.2. That the council resolves that, after having fully considered the annual report of the municipality, adopts the annual report without reservations
 - 3.3. That the section 80 or Portfolio committees must monitor properly the implementation of the Action Plan against the findings of the Auditor General
 - 3.4. That the Annual Report compilation for 2012/13 financial year be aligned to the new reporting template.
 - 3.5. That the Municipal Manager and the Senior Management commits them on the Annual Report as the important document of the council and therefore comply with regulation on the new reporting template.
 - 3.6. That the MPAC Committee will monitor each process in the Annual Report for 2012/13 financial year.
 - 3.7. That the council resolutions and documents such as section 57 performance contracts be updated on the website to monitor compliance.
 - 3.8. That Progress report on the implementation of the Action Plan addressing AG findings be submitted to MPAC quarterly.
 - 3.9. That relevant systems required during planning be fully implemented to achieve planned targets adequately within time frame.

EXTRACT OF THE MINUTES OF THE 69TH ORDINARY COUNCIL MEETING HELD ON THE 01 AUGUST 2013

“9.2 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC): OVERSIGHT REPORT FOR 2011/2012 FINANCIAL YEAR

(3/1)

Office of the Speaker

(The Chairperson of the Municipal Public Accounts Committee, Councillor MS Mokako presented the report).

RESOLVED

1. *THAT Council condones the late submission of the oversight report for the 2011/12 financial year which was supposed to have been tabled two(2) months from the date that the Annual Report was tabled before Council and which formed the basis on which the MPAC committee conducted its oversight.*
2. *THAT Council further note and condone the current submission as it was as a result of the Council resolution of the 67th Council meeting of 08 May 2013, “that Council defer the Annual Report for further revision of certain components by the administration.”*
 - 2.1 *THAT after fully considering the final revised annual report, Council adopts and approves it with the following recommendations:*
 - 2.2 *THAT the Section 80 or Portfolio Committees must monitor properly the implementation of the Action Plans against the findings of the Auditor General.*
 - 2.3 *THAT the Annual Report compilation for 2012/13 financial year be aligned to the new reporting template.*
 - 2.4 *THAT the Municipal Manager and the Senior Management commit themselves on the Annual Report as an important document of Council and comply with the regulations on the new reporting template.*
 - 2.5 *THAT it be noted that the MPAC Committee will monitor each process pertaining to the Annual Report for 2012/13 financial year.*
 - 2.6 *THAT Council resolutions and documents such as the Section 57 performance contracts be updated on the website to ensure compliance.*
 - 2.7 *THAT a progress report on the implementation of the action plan addressing Auditor General’s findings be submitted to MPAC on a quarterly basis.*

2.8 *THAT the relevant systems required during planning be fully implemented to achieve the planned targets adequately within the stipulated time frames."*

* * * * *

It is hereby certified that this is a true extract from the minutes of a meeting of the Sedibeng District Municipality.

Council held on: 09/08/2013
Signed by: [Signature]
Designation: DIRECTOR
Legal And Support Services