

A32/03/2018

OVERISGHT REPORT OF THE GOVAN MBEKI MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE 2016/2017 ANNUAL REPORT

FILE NUMBER : **10/1/3**
RESPONSIBLE DEPARTMENT : **Municipal Public Accounts Committee**
DELEGATED AUTHORITY : **Non-delegated**

1. STRATEGIC INTENT:

Financial Sustainability	
Sustainable Physical Infrastructure and Improve Customer Care Services	
Economic Growth and Development	
Institutional Transformation	
Spatial Integration and Safe Protected Environment	
Governance and Stakeholder Participation	✓

2. PURPOSE OF THE REPORT:

The primary objective of this report is to report back to Council on the findings by MPAC after scrutinizing and interrogating the 2016/2017 Annual Report.

3. BACKGROUND:

Members of Municipal Public Accounts Committee were guided by the following pieces of legislation to consider and scrutinize the 2016/2017 Annual Report:

- Sections 129 & 131 of Municipal Finance Management Act No. 56 of 2003; and
- Circular No. 32 of 15 March 2006.

The 2016/2017 Annual Report was tabled in Council on the 30th of January 2018. The Annual Report provides the municipality with the opportunity to report on its financial and non-financial performance. Performance of the municipality is reported against commitments in the Integrated Development Plan and other supporting planning documents. Section 121(2)(a) of the MFMA prescribes that each municipality and each municipal entity must prepare an annual report for each financial year in accordance with legislative requirements. The purpose of the annual report is:

- to provide a record of the activities of the municipality or entity;

- to provide a report on performance in service delivery and against the budget;
- to provide information that supports the revenue and expenditure decisions made; and
- to promote accountability to the local community for decisions made.

The 2016/2017 Annual Report was referred by Council to the Municipal Public Accounts Committee (MPAC) for oversight purposes. The Council has delegated the Municipal Public Account Committee (MPAC) the responsibility of the oversight role envisaged in Section 129 of the MFMA and Circular number 32 of the MFMA.

Upon receipt of the Annual Report the MPAC exercises oversight and tables an oversight report to Council within a prescribed period of two months. The MPAC is expected to table the oversight report on the 2016/17 Annual Report of the municipality in the Council meeting scheduled for 27 March 2018.

Circular 32 of the MFMA prescribed that the oversight report tabled in Council must include a statement whether the council:

- has approved the annual report, with or without reservation;
- has rejected the annual report; or
- has referred the annual report back for revision of those components that can be revised.

4. DISCUSSION:

In an endeavour to consider and scrutinize the 2016/17 Annual Report, members of Municipal Public Accounts Committee held a number of meetings with the Management. The Committee also compiled questions based on the report of the Auditor-General for the financial year ending 30 June 2017 and sent them to the Office of the Municipal Manager for written responses.

FINDINGS:

The municipality has maintained an unqualified audit with findings for the reporting period. The annual targets set as per the service delivery and budget plan were partially met as a result of hindering service delivery in the municipality. The committee would like to see an improvement in the municipality achieving the set targets. The Auditor-General's findings on predetermined objectives stated that some significantly important targets were not reliable when compared to the source of information or evidence provided. In this regard it is imperative that Section 79 Committees rigorously monitor and oversee the work of departments through oversight visits to assist in ensuring reliability of evidence or source information as well as follow up on relevant findings by the Auditor-General related to the department being overseen.

There were numerous repeat findings by the Auditor-General in respect of predetermined objectives and compliance. This matter has been raised in previous oversight reports yet the municipality has not improved in addressing this. The management plan indicating the action taken on the findings raised by the Auditor-General for the 2015/16 financial year fails to address the issue of repeat findings. The committee reiterates that the municipality implements measures to deal with the repeat findings. The municipality's failure to comply with applicable legislation relating to procurement and contract management, expenditure management and consequences management is a concern to the Committee. The municipality incurred fruitless and wasteful expenditure due to interest paid on late payments made to suppliers. Irregular expenditure was also reported due to a number of contracts that had expired. This can easily

be prevented if proper systems are put in place to detect expiry dates. To ensure accountability and good governance the committee expects the Accounting Officer to enforce Section 32(2)(b) and 99(2)(b) of the MFMA. The committee would also like to see that investigations are completed timeously and necessary action be taken against responsible persons. Another significant finding that is a concern to the Committee is poor monitoring controls and a lack of proper record management system.

The water and electricity losses incurred by the municipality continue to be a risk that loses the municipality revenue. Although the respective departments have implemented various interventions to mitigate against the losses, emphasis must be placed on maintenance of infrastructure and monitoring thereof to reduce the losses. The following were the findings of the committee:

- A full survey into the public satisfaction could not be conducted in the fiscal period 2016/2017 due to the financial constrain that the municipality was facing.
- The Annual Report, IDP and Mid-term Financial Report are not distributed in all public libraries.
- The reports were not published in time on the municipal website as required by the legislation.
- The communities were not informed about these documents and when to make comments.
- There were no submissions from the general public on the Annual Report.
- MPAC must sit in the performance assessment of departments.
- There were no reasons provided reasons for the non-implementation of resolutions that were made by MPAC in the 2015/2016 Oversight Report.
- The Auditor-General could not access some documents when requested.

5. IMPLICATIONS

5.1. FINANCIAL

There are no financial expenditure related to the submission of this report.

5.2. LEGAL

Report tabled in compliance with Sections 129 & 131 of Local Government: Municipal Finance Management Act, Act 56 of 2003

5.3. PERSONNEL

None.

5.4. COMMUNICATION

That the 2016/2017 Oversight Report is to made available to the public within seven days of the date of this resolution in compliance with Section 129(3) of the Local Government: Municipal Finance Management Act, Act 56 of 2003.

6. RECOMMENDATION

1. That the 2016/2017 Oversight Report, as compiled by the Municipal Public Accounts Committee on the 2016/2017 Annual Report, and as contained in the Council meeting agenda dated 27 March 2018, **BE ADOPTED** in compliance with Section 129(1) of the Local Government: Municipal Finance Management Act, Act 56 of 2003.
2. That based on the findings of the Auditor-General and the submission received from management during the vetting and verification process, the 2016/2017 Annual Report **BE APPROVED** without reservations in terms of Section 129(1)(a) of the Local Government: Municipal Finance Management Act, Act 56 of 2003.
3. That the 2016/2017 Oversight Report **BE MADE AVAILABLE** to the public within seven days of the date of this resolution in compliance with Section 129(3) of the Local Government: Municipal Finance Management Act, Act 56 of 2003, through notices on all municipal notice boards, the municipal website and the local press and that copies of the 2016/2017 Oversight Report **BE MADE AVAILABLE** on the municipal website, the reception areas of all municipal office and at all the libraries.
4. That the Accounting Officer **IMPLEMENT** consequence management (disciplinary measures) to relevant officials, particularly in the Finance Department, liable for irregular, unauthorized, wasteful and fruitless expenditure as stated in the Audit-General's Audit Report.
5. That the Municipal Public Accounts Committee **BE FURNISHED** by the Accounting Officer with quarterly reports on unauthorized, irregular and fruitless and/or wasteful expenditure.
6. That quarterly reports **BE TABLED** to Council on the implementation of mitigation measures on the findings of the Auditor-General.
7. That the Municipal Public Accounts Committee **MONITOR** management's action plan through quarterly reports.
8. That the recommendations of the Municipal Public Accounts Committee as indicated in the 2016/2017 Oversight Report **BE IMPLEMENTED** accordingly.
9. That the Deputy Director Supply Chain Management **BE APPOINTED** within 30 days of the adoption of the Oversight Report.
10. That the Manager Contracts & Tenders **BE APPOINTED** within 3 months of the adoption of the Oversight Report.
11. That the Department Corporate Services **DEVISE** an efficient and effective system to enable the Auditor-General to access required documents for the purpose of auditing.