

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE: OVERSIGHT REPORT ON THE 2017/2018 AUDITED ANNUAL REPORT ON MERAFONG CITY LOCAL MUNICIPALITY

Date: DEC 2019

REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE:

PURPOSE

The purpose of the item is to present 2018/2019 MPAC Oversight on the Unaudited Annual Report to council for consideration and approval in terms of Section 129(1) of the MFMA

INTRODUCTION

The 2018/2019 Unaudited Annual Report was tabled at Council meeting held on the 26 August 2019 in compliance with the Section 127(2) of the Municipal Finance management Act, 2003 (No. 56 of 2003) (MFMA), which requires that:

“The Mayor of a municipality, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality”

BACKGROUND AND DISCUSSION

Section 121(1) of the MFMA Act 56 of 2003, stipulates that “every Municipality and every Municipal Entity must for each Financial year, prepare an Annual Report in accordance with its guidelines”

The purpose of this Audited Annual Report is to inter-alia:-

- A. Provide a record of the activities of the Merafong City Local Municipal Council during the financial year, in this regard for 2018/2019 financial year
- B. Provide a report on performance against the budget of the Merafong City Local Municipal Council for the financial year under review and
- C. Promote accountability to the local community for the decisions made throughout the year by the Municipality

At the council meeting held on the 26 August 2019, council recommended as follows:

- i. That the Draft Annual Report as tabled by the Executive Mayor be noted.
- ii. That the public comments on the Draft Annual Report be invited for a period of 30 days.
- iii. That the copies of the Draft Annual Report be submitted to the Auditor- General and the relevant state departments.
- iv. That Council refers the report to MPAC, so that MPAC can perform the oversight responsibilities as envisaged in section 129 of the MFMA and prepare an Oversight Report accordingly.
- v. That it be noted that in terms of section 129 of the MFMA the Oversight Committee shall have the following roles and function:
 - To review the Annual report
 - To compile an Oversight report for Council's adoption containing Council's comments on the Annual report which must include a statement whether:-
 - Council should:
 - Approve the Annual Report with or without reservations.
 - Reject the Annual Report/
 - Refer the Annual Report back for revision.

That the Audited Annual Report will be approved by Council before end of January 2020

ESTABLISHMENT AND COMPOSITION OF MPAC MEMBERS

A Municipal Public Accounts Committee (MPAC) was established by Council in August 2016 in line with Section 79 of the Municipal Structures Act, 117 of 1998

In accordance with the provisions of Section 79 (1) (a) (b) and (c) of the Municipal Structures Act 1998 a municipality may establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers and appoint the members of such committee from among its members. Furthermore Section 79 (2) of the Municipal Structures Act, 1998 provides adequate framework and guidelines within which such committees of council shall operate.

The Committee consists of:-

- | | |
|------------------------|-------------|
| 1. Cllr. N.A. Tsotetsi | Chairperson |
| 2. Cllr. B. Mafika | Member |
| 3. Cllr. M.A. Malibe | Member |

4. Cllr. N.M. Mcetywa	Member
5. Cllr. B. Mpeke	Member
6. Cllr. M. Naki	Member
7. Cllr. S. Ndobatha	Member
8. Cllr. J.T. Mothibi	Member
9. Cllr. V.B. Nkwanyana	Member
10. Cllr. N. Gcwalangobuthi	Member
11. Cllr. J.T. Phooko	Member

The functions of the Oversight Committee on the Annual report are to:

- Undertake a review and analysis of the Annual report;
- Invite, receive and consider inputs on the Annual report
- Consider written comments received on the Annual report from the members of the public;
- Receive and consider Councils' Audit Committee views and comments on the Annual financial statements and the performance report; and

Prepare the Oversight report that may be taken to Council for discussions.

ORGANISATION PERSONNEL IMPLICATIONS

None

COMMUNICATION IMPLICATIONS

- Following an approval of the oversight report, it should be posted in the council website and be placed in all municipal libraries for public viewing
- The Accounting officer must in accordance with section 21A of the Municipal System Act make public an oversight report referred to in subsection (1) within seven days of its adoption

CONSTITUTIONAL AND LEGAL IMPLICATIONS

In terms of the provisions of Section 129(1) of the MFMA Act of 2003, an oversight report containing the comments of council on the Annual Report for the period 1st July 2019 must be tabled within two months by MPAC to Council.

The Municipal Public Accounts Committee, MPAC which exercises on oversight over the management and expenditure of Public funds, had to be able to provide assurance to the public that indeed monies and assets are being managed and utilized properly and the value for money is being rendered by public institutions in their spending of public funds.

Section 41(1) (c) of the constitution of the Republic of South Africa, states “All spheres of Government and all organs of state within each sphere must provide effective, transparent, accountable and coherent government for the Republic as a whole. If council through the Municipal Public Accounts Committee (MPAC) can provide this assurance, the confidence of the general public in the Municipal will be strengthened.

Municipal Public Account Committee (MPAC) has now completed its oversight role on Annual activities of the Council and MPAC is therefore tabling its oversight on the audited annual report to council for consideration in terms of Section 129(1) of the MFMA Act 56 of 2003

OTHER DEPARTMENTS /BODIES CONSULTED

- None

FINANCIAL IMPLICATIONS

- None

SUMMARY OF COMMENTS AND CONCLUSIONS ON THE AUDITED ANNUAL REPORT

- Compliance Issues Checklist (**ANNEXURE “A”**)
- MPAC Oversight Report (**ANNEXURE “B”**)

- ANNEXURE “A”

COMPLIANCE ISSUES CHECKLIST (AUDITED ANNUAL REPORT 2018/2019)

TIMELINES FOR PRODUCING THE ANNUAL REPORT AS PER CIRCULAR MFMA 63

ACTIONS/ACTIVITY	YES/NO	PROCESS OWNER	WHEN	WHERE	MPAC FINDINGS
Submit Draft previous Financial year Annual Report and evidence to Internal and the Auditor General including Annual Financial Statements and Financial and Non-financial Information	Yes	MM C.F.O	August 2019	A.G Provincial & National Treasury	NONE
Submit Annual Report including Annual Financial statements and Annual performance Report to the combined Audit/Performance committee	Yes	MM C.F.O	August 2019	Audit Performance Committee	NONE
Mayor tables the un-audited Annual Report in Council	Yes	MM	August 2019	Merafong New Council Chamber	NONE
Municipality submit the Annual Report including final Annual Financial statements and Annual performance report to AG	Yes	C.F.O	August 2019	A.G. Committee Room	NONE
Unaudited Annual report is made public and representation is invited	No	MM		Provide evidence e.g. Press cutting	NONE
Auditor General for Auditing purposes- due 31 August. Council to submit unaudited tabled Annual report to MPAC for vetting and verifications of Council’s directive on service delivery and the committee to evaluate Senior	Yes	MM	Unaudited Annual Report was submitted to MPAC after it has been tabled to Council on the 26 August 2019	MPAC	NONE

Managers performance against agreement entered into					
Commencement of IDP analysis of institutional, service and infrastructure provision, backlogs and priorities. Un-audited Annual Report as submitted to Auditor General to be used as input into the IDP strategic phase process and community verification and input by MPAC on reported performance. Such information includes that of various entities incorporated into the information of the parent entity	Yes	Council			NONE
Auditor- General audits the un-audited Annual Report and submit an audited report to the accounting officer for the Municipality/Municipal entity	Yes	Auditor- General	November 2019		NONE
Annual Report and oversight report process for adoption to be used as input into the Public participation for IDP review process	Yes	MM	October- November 2019		NONE
The Auditor- General's reports are issued during the period of October/ November. Once the AG audit report had been issued no further changes are allowed as the audit process is completed	Yes	MM	30 November 2019		NONE
Mayor tables the audited Annual report and Financial statements to Council	No	Mayor	January 2020	New Council Chamber	NONE
Unaudited Annual report is made public e.g. posted on	No	Marketing & Communication &	After the adoption of the report by		The report is not posted in the municipality's website and this is

municipality's website		MM	council before recess in Dec		an ongoing matter that happened in the previous years and still ongoing – Matter corrected the draft AR was published on the Website. A setting on the website caused documents to be removed and archived. This was subsequently corrected.
Oversight committee finalizes assessment on Annual Report. This must be concluded within 7 days of receipt of AG's report. Council is expected to conclude on this matter before going on recess in December.	Yes	Oversight Committee (MPAC)	Before recess of Council in Dec		NONE
Council adopts Oversight report	No	Council	To be adopted by Council	Council Chamber	After Council of January 2020
Oversight report is made public.	No	MM	After adopted by Council	Council Chamber	After Council of January 2020
Oversight report is submitted to Legislators, Treasuries and DcoG	No	Communication & Marketing	After council has adopted the report		After Council of January 2020

Finding	Common root cause	Recommendations/comments	RESPONSIBILITY	RESPONSE
Chapter 1				
Component B: Service delivery overview				
<ul style="list-style-type: none"> Page 14, T1.1.1, cut and paste of the directive note from the Annual Report Template (last paragraph) 	<ul style="list-style-type: none"> Negligence of the administration 	<ul style="list-style-type: none"> Delete the directive note under the Municipal Manager overview 	AR Compiling Team	
<ul style="list-style-type: none"> Page 26, T1.4.1 Financial overview is a cut and paste from the previous Annual Reports of 2017/18 financial year 	<ul style="list-style-type: none"> Used to cut and paste 	<ul style="list-style-type: none"> The municipality to provide the information of the current financial year 	CFO	
Chapter 2				
Governance: Political Structure				
<ul style="list-style-type: none"> Mayoral committee functions T2.1.1 Page 38 Cllr E. Lekopa and Cllr M. Skosana's functions has been exchanged 		<ul style="list-style-type: none"> Align MMC's functions with their correct portfolio's 	AR Compiling Team	
Political decision taking				
<ul style="list-style-type: none"> T2.1.3 Page 38, The information is been omitted 	<ul style="list-style-type: none"> Management did not ensure that full information is provided as 	<ul style="list-style-type: none"> The municipality to provide the percentage of Council Resolutions 	Corporate and Shared Services	

	required by the Annual Report Template	implemented against the number of decisions taken. • List those not implemented and indicate reasons why not		
District intergovernmental structure				
• T2.3.4 None of the benefits mentioned	• Ignorance by management	• The municipality to provide the benefits derived from these arrangements	IGR	
• T2.4.2 Page 55, Ward Committees key purposes not mentioned		• Provide responsibilities Ward Committees are mostly charged with	Chief of Staff / Speakers Office	
By-laws				
• Comment provided on by-laws is not relevant, it is more of IDP Pg 67	• Cut and paste	• Refer back to the ART and provide as required	Corporate and Shared Services	
• T2.11.1 Public satisfaction level • last paragraph • T2.11.2	• Spelling error • Cut and paste	• Rectify the heading • What is the meaning of the word 'ially'? • Table not attended to	AR Compiling Team Corporate and Shared Services	
CHAPTER 3 SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)				
• T3.0.1 Introduction omitted	• Cut and paste	• Provide the introduction and delete the directive note	COO	
• T3.1.0 The municipality did not provide the Introduction to basic	• Too much ignorance by the	• Please provide as required	Infrastructure Development Water Services	

<p>services information with the inclusion of electricity, water and sanitation and housing as basic needs</p> <ul style="list-style-type: none"> • T3.1.5 , T3.1.6, T3.1.7 	<p>management</p> <ul style="list-style-type: none"> • Cut and paste 	<ul style="list-style-type: none"> • Populate the required information 	<p>Infrastructure Development Water Services</p>	
<p>Waste water (sanitation) provision</p>				
<ul style="list-style-type: none"> • T3.2.1 Introduction to sanitation provision is omitted • T3.2.2, T3.2.3 T3.2.4, • T3.2.5, T3.2.6, T3.2.7 • T3.2.10 first paragraph, last sentence, correct 'and' to 'an' • Third paragraph, second sentence • Last paragraph 	<ul style="list-style-type: none"> • Cut and paste • Cut and paste • Spelling error • Spelling error • Cut and paste 	<ul style="list-style-type: none"> • Provide as needed and delete the directive note • Populate the required information • ...entered into an agreement... • Correct 'seepage 3' to see page 3 • Delete the directive note 	<p>Infrastructure Development Water Services</p> <p>Infrastructure Development Water Services</p> <p>AR Compiling Team</p> <p>AR Compiling Team</p> <p>AR Compiling Team</p>	
<p>Introduction to waste management</p> <ul style="list-style-type: none"> • T3.4.1. 	<ul style="list-style-type: none"> • Write up not complete 	<ul style="list-style-type: none"> • Provide full introduction under 'construction of Carletonville waste management depot 	<p>Community Services</p>	
<p>Comment on the performance of the housing service overall</p> <ul style="list-style-type: none"> • T3.5.7 	<ul style="list-style-type: none"> • Cut and paste 	<ul style="list-style-type: none"> • Provide the comment as required and delete the directive note 	<p>Economic Development and Planning Housing</p>	

FREE BASIC SERVICES AND INDIGENT SUPPORT				
<ul style="list-style-type: none"> The municipality did not provide summary of its policies towards indigents support T3.6.2, T3.6.5 T3.6.6 	<ul style="list-style-type: none"> poor performance by the management , not taking their work seriously cut and paste 	<ul style="list-style-type: none"> Please populate the information as required by the ART Provide information as required Delete the directive note under the comment on free basic services and indigent support 	<p>CFO Budget and Treasury</p> <p>Community Services Health and Social Development</p>	
INTRODUCTION TO ROAD TRANSPORT				
<ul style="list-style-type: none"> T3.7 & T3.7.1 T3.7.5 T3.7.10 	<ul style="list-style-type: none"> Cut and paste 	<ul style="list-style-type: none"> Provide the introduction and delete the directive notes Delete directive note under comment on the performance of roads overall 	<p>Infrastructure Development Roads and Stormwater</p> <p>AR Compiling Team</p>	
INTRODUCTION TO TRANSPORT				
<ul style="list-style-type: none"> T3.8.1 & T3.8.7 T3.8.5 & T3.8.6 	<ul style="list-style-type: none"> Cut and paste 	<ul style="list-style-type: none"> Delete directive note under introduction to transport and under comment on the performance of transport overall Populate required information 	<p>Community Services Public Safety</p>	

WASTE WATER (STORM WATER DRAINAGE)				
<ul style="list-style-type: none"> T3.9.4, T3.9.7 T3.9.9 	<ul style="list-style-type: none"> Re occurring matter of cut and paste 	<ul style="list-style-type: none"> Please populate the information as required by the ART Delete directive note under the comment 	<p>Infrastructure Development Public Works</p> <p>AR Compiling Team</p>	
INTRODUCTION TO ECONOMIC DEVELOPMENT				
<ul style="list-style-type: none"> T3.11.1 Introduction not provided T3.11.2, T3.11.3, 	<ul style="list-style-type: none"> Cut and paste 	<ul style="list-style-type: none"> Provide introduction to economic development as needed Provide as required 	Economic Development and Planning	
COMMENT ON LOCAL JOB OPPRTUNITIES				
<ul style="list-style-type: none"> T3.11.4 Comment on local job opportunities not provided 		<ul style="list-style-type: none"> Provide as required 	Economic Development and Planning	
COMPONENT C: Comment on Local Economic Development performance overall				
<ul style="list-style-type: none"> T3.11.11 Informal trading area (phase 2- Oberholzer), the place has been vandalized and burnt 	<ul style="list-style-type: none"> Poor planning lack of monitoring and evaluation at projects level 	<ul style="list-style-type: none"> This is because of lack of security to municipal properties 	Economic Development and Planning	
COMPONENT D: Community & Social Services				
<ul style="list-style-type: none"> T3.12 The municipality did not provide brief introductory comments referring to the support given to those communities that are living in poverty 	<ul style="list-style-type: none"> Noncompliance with what the Annual Report Template is requiring 	<ul style="list-style-type: none"> Refer to the ART and provide as required 	Community Services	

<ul style="list-style-type: none"> • T3.14.4, • T3.14.6 	<ul style="list-style-type: none"> • Cut and paste 	<ul style="list-style-type: none"> • Populate the required information 	Community Services	
			CFO/Budget and Treasury	
COMPONENT E: ENVIRONMENTAL PROTECTION				
<ul style="list-style-type: none"> • T3.15 Introduction to environmental protection omitted 		<ul style="list-style-type: none"> • Provide brief introductory comments as required by the annual report template 	Economic Development and Planning	
3.23 FINANCIAL SERVICES				
<ul style="list-style-type: none"> • T3.25.1 Financial services introduction omitted • T3.25.2, T3.25.2.1, T3.25.3 • T3.25.7 Comment on the performance of financial services overall omitted 	<ul style="list-style-type: none"> • Ongoing matter 	<ul style="list-style-type: none"> • Provide brief introductory comments as required • Populate the required information • Refer to annual report template, and provide as required 	CFO	
<ul style="list-style-type: none"> • T3.30 is omitted 		<ul style="list-style-type: none"> • The municipality to provide the annual performance scorecard 	AR Compiling Team	
Chapter 4: Skills Development Expenditure				
<ul style="list-style-type: none"> • T4.3.6 Theft of municipal money by 5 Cashiers 		<ul style="list-style-type: none"> • MPAC need a full detailed report of disciplinary action 	Corporate and Shared Services	

		taken on the case		
4.4 PERFORMANCE REWARDS				
<ul style="list-style-type: none"> T4.4.1 	<ul style="list-style-type: none"> Cut and paste 	<ul style="list-style-type: none"> Populate the relevant information 	Corporate and Shared Services	
COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE				
<ul style="list-style-type: none"> T4.5.0 T4.5.4 	<ul style="list-style-type: none"> Cut and paste 	<ul style="list-style-type: none"> Provide the introduction to workforce capacity development Provide a comment on skills development and related expenditure and on the financial competency regulations 	Corporate and Shared Services	
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE				
<ul style="list-style-type: none"> T4.6.0 Introduction to workforce expenditure omitted 	<ul style="list-style-type: none"> ignorance 	<ul style="list-style-type: none"> provide according to the annual report template 	Corporate and Shared Services	
Chapter 5: Statements of Financial Performance				
5.3 ASSET MANAGEMENT				
<ul style="list-style-type: none"> T5.3.1 Second paragraph under introduction to asset management 	<ul style="list-style-type: none"> Spelling error 	<ul style="list-style-type: none"> Correct the word 'procur' 	AR Compiling Team	
Comment on Asset Management				
<ul style="list-style-type: none"> T5.3.3 There is challenge council is facing about this vandalism of council's assets, especially electricity installations 	<ul style="list-style-type: none"> Lack of monitoring 	<ul style="list-style-type: none"> Is there any action plan to deal with the matter hence it's been an ongoing problem 	CFO	

		the municipality has faced		
COMMENT ON SOURCES OF FUNDING				
<ul style="list-style-type: none"> T5.6.1.1 Second paragraph 	<ul style="list-style-type: none"> Grammar error 	<ul style="list-style-type: none"> Remove ‘...was the..’ in the paragraph 	AR Compiling Team	
<ul style="list-style-type: none"> T5.8.4 	<ul style="list-style-type: none"> Table not populated 	<ul style="list-style-type: none"> Please provide information as required by the Annual Report Template 	Infrastructure Development	
Supply Chain Management				
<ul style="list-style-type: none"> T5.12.1 The municipality did not state the number of Supply Chain officials that have reached the prescribed level required for their positions and also whom are yet to reach the necessary competency levels (see MFMA Competency Regulation Guidelines) 	<ul style="list-style-type: none"> Management did not adequately implement controls to monitor compliance with Supply Chain management procurement legislation 	<ul style="list-style-type: none"> Please provide the sufficient information as needed by the Annual report template (not in line with the directives) 	CFO Supply Chain	
<ul style="list-style-type: none"> T6.2.5 Comments on MFMA SECTION 71 responsibilities not signed by Chief Financial Officer 		<ul style="list-style-type: none"> Please provide CFO’s signature 	AR Compiling Team	
<ul style="list-style-type: none"> T6.0.1, T6.1.1, T6.1.2, T6.2.1, T6.2.2, T6.2.3, T6.2.4, T6.2.5 	Tables not for initial tabling to be submitted for final approval end of January 2020	<ul style="list-style-type: none"> Please populate tables for final approval 	CFO	

ANNEXURE “B”

RECOMMENDATIONS:

- i. That the council having fully considered the Unaudited Annual Report of the municipality and the presentations thereon, adopts the oversight in terms of the provisions of subsection 129(1) of the MFMA, 2003 (Act 56 of 2003)
 - Council approves the Unaudited annual Report with reservations until all the components raised by MPAC are addressed
- ii. That copies of the Unaudited Annual report and the oversight report be submitted without delay to the Gauteng MEC for Local Government and settlement, Provincial Treasury, National Treasury, the Auditor General and such other institutions in terms of the provisions of sub-section 127(5) & (6) of the Local Government MFMA
- iii. That copies of the said Annual report and oversight report be made available and accessible to the municipal website, public, interested organizations and the media within 7 days from the date of this meeting
- iv. MPAC findings, be noted and a corrective action be taken in terms of an action plan