



# ANNEXURE G

## MPAC / Oversight Report

## SENQU MUNICIPALITY: OVERSIGHT REPORT FOR THE PERIOD 2010 - 2011

### 1. BACKGROUND

In terms of s129 of the Municipal Finance Management Act, Act 56 of 2003, Council is required to consider its Annual Report and based on the analysis and evaluation thereof, it is required to prepare and adopt an Oversight Report.

The intention of this Oversight Report is to provide comments and reflections on the content of the Annual Report in order to be able to recommend and/or influence its approval or non-approval by Council. The intention of this report is therefor to validate the content of the Annual Report and/or to provide any reservation regarding this.

The draft Annual Report (as per legal requirements) was tabled before Council on 25<sup>th</sup> of January 2012. Following the Council resolution of January 2012 this report was referred to the Municipal Public Accounts Committee for oversight and for public comment and input. Through appropriate advertising, the Annual Report was made available to the public and all stakeholders for comment. All inputs received have been incorporated into the final draft of this report.

Legislative prescripts require that the Oversight Report and Annual Report be tabled to the full Council by the 30 March 2012. It is during this meeting that both the Oversight Report and the Annual Report will be presented for final approval and adoption.

#### MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC):

Council approved the terms of reference and the appointment of the Municipal Public Accounts Committee and adopted the terms of reference for this Committee Council approved the appointment of the following members to the Municipal Public Accounts Committee:

- Cllr A. Kwinana : Chairperson
- Cllr M. Moshasha
- Cllr S. Ndzongana
- Cllr I. Elia
- Cllr Sereba
- Cllr Mangali

Additionally it was resolved that:

- Cllr A. Kwinana be appointed as the Chairperson of the MPAC Committee;
- That the Committee undergo extensive training.

The MPAC Committee members were invited to attend a workshop to orientate them on their role and function within MPAC and this was successfully held on the 9 December 2011. The first formal meeting to consider, assess and consult on the Annual Report followed on the 24 February 2012. The Oversight Report that will emanate from this meeting will provide an accurate analysis and reflection of the content of Senqu Municipality's Annual Report for 2010 – 2011 and will detail any reservations or points of concern.

Based on this report and after due consideration of written submissions (from members of the community and organs of the state), the Annual Report will be adopted with or without reservations.

The following MPAC Oversight Report is presented to the full Council by the Senqu Municipal Public Accounts Committee (MPAC) for the period 2010-2011.

## 2. ANALYSIS OF THE 2010-2011 ANNUAL REPORT

The Annual Report for 2010-2011 was duly examined by the committee while taking due cognizance of the Auditor-General's Report (incorporated in the Annual Report). Following this analysis, comments have been made regarding:

- the extent to which legislation was compliant;
- a summary of representations received from the community and others;
- and
- a summary of reservations expressed and corrective actions required by MPAC.

### 2.1 AUDITOR-GENERAL'S REPORT ON ANNUAL FINANCIAL STATEMENTS

An unqualified audit report with emphasis of matter was awarded to Senqu Municipality by the Auditor-General (AG) for the period 2010 - 2011:

In responding to the issues highlighted by the Auditor-General's Report commitment was undertaken to develop an Audit Action Plan that would address specifically highlighted issues and re-occurring matters. This plan is intended to be implemented in a consistent and controlled manner so as to identify, address and implement immediate, medium and long term actions in an effort to strive towards the achievement of a clean audit. It is noted that issues that had arisen and were required to be resolved from the previous year (as reflected within the Audit Action Plan) were not fully implemented in all instances and re-occurring issues from the previous audit report were required to be addressed and receive focus moving forward.

In the broadest sense, audit issues raised and to be addressed relate to:

- Internal controls;
- Legislative Compliance;
- Management of data; and
- Assignment of roles and responsibilities to ensure reporting compliance.

These issues are elaborated on more specifically within the Audit Response and within the Audit Action Plan.

### 2.2 CIRCULATION OF THE ANNUAL REPORT

In order to ensure community participation and input as well as input from the officials, Councillors and other stakeholders, the Annual Report 2010-2011 was circulated and made available immediately following the Council Meeting of 25 January 2012. All role-players were afforded an opportunity to submit their input to the Report and were given until 28<sup>th</sup> February 2012 to do so.

The motivation behind this was to ensure that an opportunity for feedback was created and provided and to ensure that any amendments to data could be timeously made. Copies of the Annual Report were made available and advertised as available for inspection in the following designated and advertised public areas:

- Lady Grey Municipal Offices;
- Sterkspruit;
- Rhodes;
- Barkly East; and
- Rossouw.

All role-players were afforded an opportunity to provide inputs until the 28<sup>th</sup> of February 2012 and any inputs to this report would allow for appropriate interrogation by the MPAC and amendments to be inserted if and where required.

### 3. SUMMARY OF FINDINGS RELATING TO THE ANNUAL REPORTING PROCESS 2010 - 2011

The Municipal Public Accounts Committee (MPAC) analysed and assessed the Annual Report in accordance with statutory requirements and accepted practice. The resultant MPAC Oversight Report was developed from this process:

The Annual Report was tabled to Council on due date. The Council meeting was held on the 25 January 2012. The Annual Report was circulated as required to stakeholders and the public invited to participate.

#### **REPRESENTATIONS RECEIVED FROM THE COMMUNITY AND OTHERS**

The following table reflects the key written representations received from the respective bodies/individuals relating to the contents of the Annual Report. It is noted that no representations were forthcoming from the public.

| <b>Representation submitted by</b> | <b>Key Issues Raised</b>  | <b>Determination by Oversight Committee</b>                    |
|------------------------------------|---|--|
| Auditor-General                    | The Auditor General played an active role in the process.<br>Auditing of the Annual report /Identify priority areas and focus on them | Input noted with appreciation and incorporated into the report |
| Audit Committee/ MPAC              | Submitted report  | Report incorporated in AR                                      |
| Other Spheres of government        | No issues from members of other spheres of government   | No action required   |

### 4. SUMMARY OF RESERVATIONS NOTED AND CORRECTIVE ACTION REQUIRED

A summary, per chapter, of the matters raised by MPAC and the actions required to be taken in terms of Sec 131 (1) of the MFMA by the Mayor and the Administration on the Annual Report 2010/2011 are detailed below as referenced within each chapter of the Annual Report:

#### **INTRODUCTION AND OVERVIEW**

##### Issues

This chapter provided a thorough and accurate introduction to the Annual Report. Following the Mayors Forward and the Municipal Manager's Report, the Executive Summary provided the required summary and overview of the information contained within the main body of the report. No corrective action regarding content was required.

#### **ACHIEVEMENT REPORTS**

##### **Chapter 1: Organizational Transformation and Institutional Development**

This chapter provided Human Capital data and personnel statistics on a number of levels. Evidence presented will be discussed in terms of its accuracy and credibility.

##### Issues

The following issues are noted:

- The organogram provided was required to be updated in order to reflect the role and function of the IPME Directorate as these functions were being implemented logically but not recognized by the structure itself. The corrected version of the approved organogram was required and ultimately provided for this period;

- All statistics were provided in respect of:
  - staff complement (approved, filled and vacant funded posts)
  - salary data (pensions, medical aid contributions)
  - trends on personnel expenditure
  - functional area and staff complement statistics
  - employment equity statistics
  - staff development initiatives
  - learner-ships and internships
  - training provided for unemployed learners
  - gender/race statistical data
  - data on staff registered with professional bodies.

It is noted that these statistics are accepted as correct and these are reflected in accordance with those detailed within the Annual Financial Statements (which in turn are audited and as such verified as correct).

- Although the Performance Management Framework and Policy was thoroughly and correctly depicted it is noted that performance management implementation remains an area of weakness. Moving to the point of origin it is noted that between the IDP (Integrated Development Plan) for 2009-2010 and the IDP for 2010-2011 many discrepancies in content were apparent and this in turn impacted on the performance targets that were captured and very poorly written. These targets were then captured within the SDBIP's (Service Delivery Budget and Implementation Plans) and performance scorecards and had additional impact on these. It is clear that moving forward, the IDP is required to be reviewed and re-written with special attention to the manner in which performance targets are worded. This in turn will facilitate a process whereby the SDBIP and Budget are aligned to the IDP (thereby ensuring that strategic goals and objectives are met).

Performance is required to be assessed and reported on at both an institutional and at an employee level. At the outset it is noted that the SDBIP and Budget were not fully aligned to the IDP. As indicated, targets were not well reflected in the IDP or SDBIP. In most instances performance targets were reflected as percentages or worded in an ambiguous (poorly phrased / non-measurable) manner. This did little to facilitate accurate levels of performance measurement. Additionally it is noted that the policy for employee performance management was not strictly adhered to in terms of procedure. Although quarterly SDBIP reporting did occur it was still required that the first review and the two coaching sessions be conducted. At this point it is noted that only the final review/assessment was formally conducted as required and prescribed in terms of the framework. Quarterly SDBIP reports were conducted and these were used to assess the performance of the s57 managers. This was clearly not ideal and it was not the intention to forgo any aspect of the PMS process by replacing it with SDBIP reporting. This has been a criticism in the past few years and it is clearly an issue that is urgently required to be addressed moving forward.

Moving forward it will be required that all cycles of Employee Performance are strictly applied and incorporate coaching and review. It is noted that the final review of the s57 managers will only occur (for the year 2010/2011) after the approval of the Annual Report as it is only at this time that the information used to evaluate staff will have been audited and verified.

Performance reporting at the institutional level has highlighted a number of challenges and it is regrettable that the s72 report was not submitted by the required deadline. While this was not ideal, it highlights the need for all managers to treat performance management as an area of priority and to recognize that the responsibility of reporting lies with each and every manager. In other respects performance reporting (institutional level) has occurred in the manner required.



Corrective Action

The following corrective action is required:

- The issues around performance management remain a re-occurring and an ongoing challenge. Although commitment is made to resolve these challenges these issues remain and must be formally managed.

Applicable staff are required to be trained and strictly monitored in their application of performance management at both an employee and at an institutional level. Quarterly targets are required to be adhered to and appropriate action taken to enforce all required activity.

- Regular PMS reporting according to the manner prescribed within the Framework.
- Implementation of the framework to ensure 2009/2010 and 2010/2011 evaluations and assessments are done in terms of the adopted PMS framework

**Chapter 2: Basic Service Delivery Performance Highlights**Issues

As detailed within Chapter 1 the weaknesses in performance management implementation were noted and are to be addressed.

As a general comment it is noted that improvements have occurred overall within service delivery. Notwithstanding there are numerous instances where it is acknowledged that the content of the s46 report may not have yet reached the required level/standard of reporting. Certain areas of reporting remain a challenge due to the fact that information required (as prescribed) may not have been previously measured --- as per the Technical Services data. Improvements in measurement and gathering data are to take precedence in the new financial year.

Generally, it is accepted that service delivery is in most instances provided as required. It is also acknowledged that optimum service delivery standards are not achieved in many areas and poor service is experienced in others. Recording and reporting on data remains a real challenge and in many instances baseline statistics are not available.

More specifically, the following types of information are found to be missing

- Percentage of clinics, schools and households with access to potable water, sanitation, electricity and road infrastructure;
- Total number of households expected to benefit in respect of, potable water, sanitation, electricity and road infrastructure;
- Estimated backlogs in respect of potable water, sanitation, electricity and road infrastructure;
- Targets for the financial year under review in respect of potable water, sanitation, electricity and road infrastructure;
- Number of households reached during the financial year in respect of potable water, sanitation, electricity and road infrastructure; and
- Percentage of planned service levels achieved during the current financial year in respect of potable water, sanitation, electricity and road infrastructure;

The same requirements exist for establishing:

- The estimated backlogs (actual numbers) of indigent households with access to free alternative energy sources;

- Estimated backlogs for indigent households who do not have access to free basic sanitation services;
- The number of households /customers reached during the financial year in respect of actually constructed roads infrastructure;
- The number of households/customers reached during the financial year in respect of road upgrading and maintenance;

Similarly, for housing and town planning services it is required that statistics be provided in respect of households living in informal settlements; those settlements that have been provided with basic services and the percentage of households/informal housing that conform to the minimum building standards for residential houses.

#### Corrective Action

In all of these areas reflected above it is required that specific statistics be provided in respect of:

- those expected to benefit;
- estimated backlogs;
- annual targets;
- number of customers reached
- Percentage of target achieved within the current year, and
- Electricity losses

As indicated, in many instances the required information is not readily available. In order to comply with reporting and to ensure sustainability of future service levels it is required that efforts must be made to implement a system to start adequate measurement and control functions. Appropriate structures and systems are required to be budgeted for and created over a designated period to ensure that credible data is obtained.

The Service Providers Reports has been completed and it is noted that the Service Providers report was received. It is clear that in accessing the required reporting information the performance of service providers requires to be better managed.

### **Chapter 3: Municipal LED Framework Implementation**

Overall it is acknowledged that as MPAC, the Committee is comfortable that the information provided reflects a true account of LED functioning within Senqu Municipality.

This being said, it must be acknowledged that a huge amount of assistance will be required to facilitate LED functioning and the gathering of required data.

The LED function is constantly challenged by resource capacity human and financial and operational commitments. These issues are to be formally addressed through the LED Strategy and the related implementation plan must be tabled and reported on. In order to facilitate real progress it is suggested that extensive training be undertaken and where possible arrangements made to partner with others of a similar qualification so that coaching occurs. Where baseline information is missing, steps to retrieve this must be taken and in the case of information required from external stakeholders a proactive approach must be followed.

### **Chapter 4: Financial Statements and Financial**

#### Issues

In examining Chapter 4, reference must be made to the Auditor-General's Report, the response to the AG's Report and the Audit Action Plan which was developed in order to facilitate the resolution of identified issues.

MPAC has taken these documents into account and as such, MPAC is comfortable that the comments and issues raised within this chapter are an accurate account of issues and events as they occurred.

It must be noted that while Senqu Municipality received an unqualified audit report for the third term (as one of only 7 municipalities in the country to achieve this), improvements to the manner in which financial issues are handled will always be required.

**Overall** MPAC is in agreement with the Auditor-General's Report and accordingly the following broad areas of functioning require attention:

- Effective controls relating to expenditure are required to be implemented and workshopped-thereby ensuring that over-and irregular expenditure is minimized.
- Over expenditure in waste management
- It is imperative that the IDP, SDBIP and Budgets are aligned and these documents are required to be referenced accordingly to ensure that no discrepancies are discovered;
- The performance targets that are reflected in the IDP are to be rewritten and aligned with the SDBIP and performance scorecards in order to ensure specific measurable targets are created with absolute values rather than percentages wherever possible;
- The Supply Chain Management Policy is to be reviewed, updated and workshopped to all parties who will directly implement this policy. Through the development and implementation of strict controls, it would be the intention to eliminate or at least minimise wasteful, fruitless and irregular expenditure.
- All financial and performance reporting timeframes are required to be met and action plans developed with prior reporting so as to ensure that this occurs timeously; and
- When presenting financial reports, strict adherence to reporting requirements are imperative. Failure to do so will discredit this report and provide adequate reason to doubt its content.
- Electricity losses to be monitored
- Regular reporting on progress with the Audit Action Plan
- Indigent verification to be expedited
- Plans are put in place to address Ageing infrastructure (waste, Roads and electricity) and that improvements in respects of maintenance of facilities is required i.e. maintenance relating to sportsfields
- Slow progress with projects dependent on external agencies e.g. Eskom Electrification in rural areas. Effort must be made to pro – actively facilitate, monitor and report on these type of projects ; formal documentary evidence is required to validate efforts of managing and facilitating these projects
- Non implementation of planned and identified projects (specifically related to LED and SPU )

## **Chapter 5: Good Governance and Public Participation**

### Issues and Corrective Action

In respect of the issues of governance and public participation we are comfortable that the information provided is an accurate reflection of these areas of functioning. It is acknowledged that steps are required to ensure improvements a within the IDP – in terms of the roll out and public participation, the manner in which it is structured, the manner in which it reflects the national indicators, and in terms of meeting required submission deadlines.

## **Chapter 6: Functional Area of Service Delivery**

### Issues and Corrective Action

In terms of the detail provided we are comfortable that this accurately reflects the functional nature of these departments.

## **5. CONCLUDING COMMENTS**

As per the stated facts throughout, it is noted that notwithstanding tremendous effort to resolve issues of concern, information contained within the Annual Report cannot be completely validated. At times this is due to lack of reporting and at other times it is due to the fact that no accurate data is available at the level required. In these instances we are comfortable that the data provided is purely an estimate.



As indicated Senqu Municipality is still required to enhance the manner in which backlogs are determined. For this reason we express our reservation in respect of the validity of certain of the data captured in the main body of this Report relating to service delivery.

#### 6. MINUTES OF THE MEETINGS OF THE MPAC COMMITTEE

MPAC met formally on 9 December 2011 and 24 February 2012 which meetings included ongoing training and workshops on the roles and functions of MPAC with emphasis on the Oversight report. The meetings were open to the Public and were held in Lady Grey.

Copies of the minutes of the meetings are available and filed as part of the process to reflect the transparency of the MPAC in the dealings and deliberations of the committee in compiling the MPAC Oversight Report.

#### 7. RECOMMENDATIONS

The Municipal Public Accounts Committee (MPAC) recommends to Council that:

- 7.1 The Council take note of the Oversight Report of the MPAC on the Annual Report for the period 2010-2011 as submitted to Council;
- 7.2. The Council having fully considered the 2010-2011 Annual Report of the municipality and representations made thereon, adopts the 2010-2011 MPAC Report and;
- 7.3. That Council approves the 2010-2011 Annual Report while acknowledging and incorporating all comments relating to reservations and with the undertaking that no wasteful or fruitless expenditure will be condoned;
- 7.4 The Oversight Report be made Public in accordance with the prescripts of the MFMA and be submitted to the relevant stakeholders.

**Cllr A. Kwinana**  
**Chairperson**  
**MPAC Committee**  
**Senqu Municipality**

## CLOSING SUMMARY

From the detailed chapters in this Annual Report, Senqu Municipality was able to report on various aspects of organisational performance, by detailing Council priorities and goals and their ability as an organisation to achieve these, notwithstanding the highlighted challenges that prevail.

Each Chapter dealt with separate issues as follows:

**Part Chapter 1 (Introduction and Overview):**

An introduction and overview covering a word from the political leaders and the Executive Summary

**Part 2 Chapter 1: (Basic Service Delivery Performance Highlights)**

Key successes and challenges experienced by the more high profile service delivery departments. These have been examined by looking at the service delivery approach adopted, the performance measures and key successes, as well as the challenges and opportunities faced by service delivery currently.

**Part 2, Chapter 3: (Municipal Local Economic Framework Implementation)**

An account of the Municipal Local Economic Framework Implementation

**Part 2, Chapter 4: (Audited Statements and Other Financial Information)**

A detailed account of Senqu Municipality's financial health and wealth including all financial statements as public documents.

**Part 2, Chapter 5: (Good Governance and Public Participation)**

An analysis of the administrative and political structures within Senqu Municipality.

**Part 3, General Information**

Geographical context surrounding Senqu Municipality.

**Part 3, Chapter 2 (Functional Area Service Delivery Reporting)**

A functional account of all the directorates and their challenges and focus.

Based on the detail provided it felt that the Annual Report does fully reflect the challenges facing all departments within Senqu Municipality

Whilst highlighting successes, challenges and distinct progress in all areas of service delivery, the Annual Report of 2010 - 2011 and the Oversight Report for the same period, provide a record that clearly illustrates the progress, growth, and development of municipal services and performance of Senqu Municipality, for the period under review. Notwithstanding and as already indicated there is no absolute way to be completely accurate regarding all statistics and data provided which formed the basis of this report. This remains an on-going challenge to be improved on year for year.

**DISCLAIMER**

The Annual Report is compiled from statistics received from the various directorates. In the event that statistics provided may be inaccurate, this will impact on statistics overall. It is the intention to take appropriate steps to ensure that any discrepancies are corrected are correctly reflected.

## GLOSSARY

|                   |  |
|-------------------|--|
| <b>CBO</b>        | <b>Community Based Organisation</b>  |
| <b>DBSA</b>       | <b>Development Bank of South Africa</b>  |
| <b>DORA</b>       | <b>Division of Revenue Act</b>   |
| <b>DWAF</b>       | <b>Department of Water Affairs and Forestry</b>                                    |
| <b>GAMAP</b>      | <b>Generally Accepted Municipal Accounting Practices</b>                           |
| <b>GDP</b>        | <b>Gross Domestic Product</b>  |
| <b>GRAP</b>       | <b>Generally Recognised Accounting Practices</b>                                   |
| <b>IDP</b>        | <b>Integrated Development Plan</b>   |
| <b>ILGM</b>       | <b>Institute of Local Government Management of Southern Africa</b>                 |
| <b>IMPRO</b>      | <b>Institute of Municipal Public Relations Officers</b>                            |
| <b>LED</b>        | <b>Local Economic Development</b>  |
| <b>LGWSETA</b>    | <b>Local Government and Related Services SETA</b>                                  |
| <b>MFMA</b>       | <b>Municipal Finance Management Act</b>  |
| <b>MIG</b>        | <b>Municipal Infrastructure Grant</b>  |
| <b>NEPAD</b>      | <b>New Partnership for Africa's Development</b>                                    |
| <b>NGO</b>        | <b>Non-Government Organisation</b>   |
| <b>SALGA</b>      | <b>South African Local Government Association</b>                                  |
| <b>SMME</b>       | <b>Small, Medium and Micro Enterprises</b>   |
| <b>TLC</b>        | <b>Transitional Local Council</b>  |
| <b>JGDM /UKDM</b> | <b>Joe Gqabi District Municipality (formerly Ukhahlamba District Municipality)</b> |

## NOTES

[illegible]