



# **MUNICIPAL PUBLIC ACCOUNTS**

## **Draft Oversight Report**

## **1. INTRODUCTION**

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 therefore 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 2013. Following the Council resolution of January 2013 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 2013. It is during this meeting that both the Oversight Report and the Annual Report will be presented for final approval and adoption.

## **2. MEMBERS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC):**

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

## **3. ANALYSIS OF THE ANNUAL REPORT PER CHAPTER**

### **3.1 Chapter 1 : Mayor's Foreword and Executive Summary**

The committee acknowledges both the Mayor and the Municipal Manager's forewords.

### **3.2 Chapter 2 : Governance**

#### **3.2.1 Governance Structures**

##### **3.2.1.1 External Communication :**

In respect of the issues of External Communication the committee is comfortable that the information provided is an accurate and true reflection of this area of functioning. It is acknowledged that steps are required to ensure improvements in external communication thus meaning newsletters should be developed and website be redesigned and updated regularly as per relevant legislation. It also noted the exclusion of the MPAC in the annual report as a governance structure of the municipality.

#### 3.2.1.2 Municipal Website

**Issue:** The committee disagrees with the information recorded in the Annual Report with regards to the Municipal Website as vacancies and other legislated documents are not timeously placed or not placed at all on the Municipal Website.

**Corrective Action:** All legislated documents to be placed on the website and website compliance monitoring register to be developed.

#### 3.2.1.3 Ward Committees

In respect of the issues of Ward Committees the committee is comfortable that the information provided is an accurate and true reflection of these areas of functioning. It is acknowledged that steps are required to ensure that more training is given to newly appointed Ward Committee members to strengthen their knowledge on functioning of Local Government.

#### 3.2.1.4 Legal Matters

In respect of the Legal Matters the committee is comfortable that the information provided is an accurate and true reflection of this area of functioning.

#### 3.2.1.5 PMS

In respect of the issues of PMS the committee is comfortable that the information provided is an accurate and true reflection of this area of functioning.

#### 3.2.2 Intergovernmental Relations

The committee has noted that failure by sector departments to attend IDP Representative Forums has not been noted in the Annual Report although it is an issue of concern

#### 3.2.3 Accountability

In respect of the issues on accountability the committee is comfortable that the information provided is an accurate and true reflection of this area of functioning

#### 3.2.4 Corporate Governance

In respect of the issues of Corporate Governance the committee is comfortable that the information provided is an accurate and true reflection of these areas of functioning. It is acknowledged that steps are required to ensure improvements in compliance legislations governing municipalities.

### 3.3 Chapter 3: Organisational Development Performance

In respect of the issues of Organisational Development Performance the committee is comfortable that the information provided is an accurate and true reflection of this area of functioning. It is important for the municipality to prioritise positions of importance to be filled in order to improve performance and knowledge capacity within the municipality.

3.4 **Chapter 4: Service Delivery Performance**

In respect of the issues of Service Delivery Performance the committee is comfortable that the information provided is an accurate and true reflection of this area of functioning.

3.5 **Chapter 5: Financial Performance**

Issues

In examining Chapter 5, 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, 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.
- 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 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
- Non implementation of planned and identified projects (specifically related to LED and SPU )

### 3.6 **Chapter 6: Auditor General Findings**

#### 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 2011 - 2012:

In responding to the issues highlighted by the Auditor-General's Report commitment was undertaken by all directors 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. The Municipality has since strengthened its capacity within the Internal Audit Section in order to enhance support with the appointment of a Senior Audit Executive who commenced duties in January 2013.

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

- Drivers of Internal controls relating to governance, leadership, financial and performance information);
- Legislative compliance with specific reference to problems on procurement and contract management processes as well as issues relating to consistency, measurability and presentation of performance information;
- Assignment of roles and responsibilities to ensure reporting compliance.

#### **4. 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.

**5. MINUTES OF THE MEETINGS OF THE MPAC COMMITTEE**

MPAC met formally on 29 August 2012, 9 October 2012, 11 December 2012 which placed emphasis on the Oversight report and Audit Action Plan among other items. 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.

**6. 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 2011-2012 as submitted to Council;

7.2. The Council having fully considered the 2011-2012 Annual Report of the municipality and representations made thereon, adopts the 2011-2012 MPAC Report and;

7.3. That Council approves the 2011-2012 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