

## **OVERSIGHT REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE IN RESPECT OF THE 2015/2016 ANNUAL REPORT**

### **1. Purpose**

To table before Council the oversight report of the Municipal Public Accounts (MPAC) in respect of the Fezile Dabi Annual Report for the period ending 30 June 2016 as required in terms of section 129 of the Local Government: Municipal Finance Management Act No 56 of 2003 (MFMA) and Circular no.32 of the MFMA.

### **2. The process followed in analyzing the Annual Report**

The Fezile Dabi District Municipality Draft Annual Report for the period ending 30 June 2016 was tabled in council on the 27 January 2017 by the Executive Mayor, Honorable Cllr M.A Oliphant as per section 127 (2) of the Local Government: Municipal Finance Management Act no.56 of 2003.

During the council meeting of the 27 January 2017 where the annual report was tabled, a representative from the Office of the Auditor General of South Africa was also present as per the requirement of section 130 (2) of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA).

The copy of the draft annual report for the period ending 30 June 2016 was also submitted to the Auditor General of South Africa, Provincial Treasury and CoGTA on the 27 January 2017, to perform quality assurance check on the contents of the annual report as per the requirements of section 127 (5) (b).

Immediately after tabling the annual report in council, the report was advertised on the Sowetan newspaper for a period of 21 days to invite public and local communities from the 30 January 2017 to 27 February 2017 to make both written and oral representations on the contents of the annual report as per section 127 (5) (a) of the MFMA and Section 21A and B of the Local Government: Municipal Systems Act no.32 of 2000.

MPAC considered and analyzed the report during its meeting held on the 27 March 2017 as per section 129 of the MFMA and Circular no. 32 of the MFMA.

MPAC prepared the oversight report and tabled it to Council for approval as per section 129 of the MFMA.

### **3. General Observations by MPAC**

The following are general observations by MPAC:

3.1. That, the Annual Report for the period under review was compiled in line with the requirements of

- (a) Total appointments;
  - (b) Total terminations; and
  - (c) Vacancy rate.
- 3.2. No information was included in the Annual Report regarding number of leave days take by leave type as follows:
- (a) Sick;
  - (b) Maternity;
  - (c) Family responsibility;
  - (d) Special leave; and
  - (e) Annual Leave.
- 3.3. The annual financial statements were not included in the report that was circulated to MPAC members as required by section 121 (3) of the report;
- 3.4. Audit Committee Report in a form of recommendations on performance of the municipality during the period under review was not included in the report circulated to MPAC members as prescribed in terms of section 121 (3) (j) of the Local Government: Municipal Finance Management Act No. 56 of 2003;
- 3.5. No proof or evidence was presented before the committee whither the annual report was advertised for public inputs and comments as required in terms of section 127 (5) (a) (i) (ii) of the Local Government: Municipal Finance Management Act No 56 of 2003 and Section 21A of the Local Government: Municipal Systems Act No. 32 of 2000;
- 3.6. That the audit action plan presented in the annual report on matters raised by the Auditor General during the 2014/15 audit was not updated.

Management of the municipality in line with the general observation raised by MPAC above informed the committee that, the report circulated to the committee members was the initial report which was submitted for audit in August 2016. The meeting was advised that as a result on an oversight during the compilation of the agenda a wrong document was printed and circulated to MPAC members. Administration then apologized for the inconvenience that was caused in this regard. The Chairperson of the Committee then order the Acting Municipal Manager to arrange with administrative staff print the correct version of the annual report in order for the committee to be able to prepare a correct oversight on the annual report for the period under review. The meeting was then adjourned for ten minutes to allow administration to make copies of the report.

correct report the committee was happy that all concerns raised above were indeed available in the final set of the annual report.

#### **4. Recommendations**

Recommend to council that:

- (a) The Auditor General of South Africa be given a responsibility to verify if the Fezile Dabi District Municipality Annual Report for period ending 30 June 2016 was compiled in line the requirements of section 121 of the Local Government: Municipal Finance Management Act of 2003, Section 21 A of the Local Government: Municipal Systems Act of 2000 and Circular No 13 of the MFMA,
  
- (b) Upon the advice of the Auditor General of South Africa, MPAC advise council to adopt the Annual Report for the period ending 30 June 2013 without reservations.

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M. **DISCLOSURE OF INTEREST**

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N. **REPORTS RECEIVED FROM THE SPEAKER**

**Addendum**

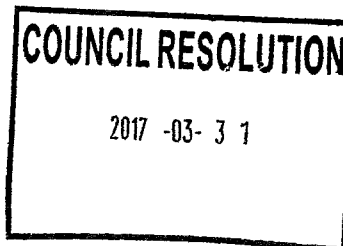
**ITEM M1**

**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) REPORT**

**RESOLVED**

1. That Council take note of all recommendations made by MPAC.
2. That Council implements, where necessary, the recommendations made by MPAC.
3. That Council approves the report by MPAC as presented.

For Attention:  
MUNICIPAL  
MANAGER



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O. **REPORTS RECEIVED FROM THE EXECUTIVE MAYOR**

**Mayoral Committee Meeting held on the 17 February 2017**

**ITEM 20**

**REPORT ON TRAINING AND DEVELOPMENT**  
**(D/CSS)**

**RESOLVED**

That the contents of the report on training and development be noted.

For Attention:  
Director:  
Corporate  
Support  
Services

ITEM M1

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) REPORT

1. PURPOSE

The purpose of this item is to apprise Council on the oversight performed by MPAC over the executive functionaries of Council and to ensure good governance within the municipality with regards to reports tabled before the Committee.

2. BUSINESS PLAN

None.

3. COMPLIANCE WITH STRATEGIC OBJECTIVE

Good Governance and Administration

4. DELEGATED AUTHORITY

Council

5. ANNEXURES

Summary on IDP (A)

Oversight on Annual Report for the period 30 June 2016 (B)

6. LEGAL REQUIREMENTS

*Municipal Structures Act 117 of 1998.*

7. BACKGROUND AND DISCUSSION

The core function of the Municipal Public Accounts Committee (MPAC) is to exercise oversight on the executive functionaries of Council and to ensure good governance within the municipality. In order for MPAC to fulfill its oversight role optimally, it is pivotal that all relevant and necessary information and/or documentation subject to oversight and as determined by legislation, be made available to the Committee in order for same to be interrogated in the interest of proper administration of municipal resources.

*The following items were tabled and subjected to rigorous interrogation by MPAC:*

The forenamed items shall be discussed as follows:

Approval of the draft 2017/2022 Fezile Dabi District Municipality Integrated Development Plan (IDP);

Oversight Report - Annual Report for period ending 30 June 2016;

Revised Service Delivery and Budget Implementation Plan for the 2016/17 Financial Year;

Point for Discussions:

ITEM 06

Approval of the Draft 2017/2022 Fezile Dabi District Municipality Integrated development plan (IDP)

A presentation was made on the approval of the Draft 2017/22 Fezile Dabi District Municipality Intergrated Development (IDP).

Upon performing oversight on the presentation made, the Committee raised the following critical factors:

1. No evidence was obtained to prove that local communities were afforded the opportunity to comment on the Integrated Development Plan.
2. No evidence was obtained to proof that an advertisement(s) were made for stakeholder's participation as per the IDP process plan.
3. The IDP process plan did not contain dates or timelines as required.
4. There was no evidence to prove that the IDP process plan was adopted by Council.

The following were responses provided on the factors raised by the Committee:

That a summary report clarifying all factors raised would be submitted to Councillors and shall form part of next Council meeting.

Recommendation to Council

1. That the Draft Integrated Development Plan report be tabled to Council for approval.
2. That the summary report clarifying all issues raised by the Committee be submitted to Council.

ITEM 07

Oversight Report: Annual Report for period ending 30 June 2016

Upon performing oversight on the Annual Report, the Committee noted the following:

1. That the Annual Report for the period under review was compiled in line with the requirements of Section 121 of the *Local Government: Municipal Finance Management Act 56 of 2003* and notwithstanding this, it was found that insufficient information was contained in the report such as correct and credible information relating to Human Resource Policies. Furthermore, deliberations were also made on specific cases related to the Human Resource Component such as correct and updated information relating to:

- (a) Total Employee Appointments;
- (b) Total Employee Terminations;
- (c) The Vacancy Rate;

2. No information was included in the Annual Report regarding number of leave days taken by employees per leave type as outlined hereunder:
- (a) Sick Leave;
  - (b) Maternity Leave;
  - (c) Family Responsibility Leave;
  - (d) Special Leave;
  - (e) Annual Leave.
- a. The Annual Financial Statements were not included in the report that was circulated to MPAC Members as required by Section 121 (3) of the report;
  - b. The Audit Committee Report in the form of recommendations on the performance of the municipality during the period under review was not included in the report which was circulated to the Committee as prescribed by Section 121 (3) (j) of the *Local Government: Municipal Finance Management Act 56 of 2003*;
  - c. No evidence was presented before the committee as to whether the Annual Report was advertised for public inputs and/or comments as required by law in terms of Section 127 (5) (a) (i) (ii) of the *Local Government: Municipal Finance Management Act 56 of 2003* as well as Section 21A of the *Local Government: Municipal Systems Act 32 of 2000*;
  - d. The Audit Action Plan as presented in the Annual Report reflects that matters raised by the Auditor General during the 2014/15 audit were not updated.

Response on the above oversight findings:

The Acting Accounting Officer, Mr. G Mashiyi reported to the Committee that the report circulated to them was erroneously included in the agenda after which the latest and updated Annual Report was circulated to all which was then presented and the Committee was content with same.

Comments on oversight of the annual report by the office of the Auditor-General South Africa (AGSA) to the Committee:

- The Office of the Auditor General of South Africa (AGSA) was given an opportunity to verify if the Fezile Dabi District Municipality Annual Report for period ending 30 June 2016 was compiled in line the requirements of Section 121 of the *Local Government: Municipal Finance Management Act of 2003 (MFMA)*, Section 21 A of the *Local Government: Municipal Systems Act of 2000* as well as Circular No 13 of the MFMA;

#### RECOMMENDATION TO COUNCIL:

That Council adopt the Annual Report for the period ending 30 June 2016 without reservations.

## ITEM 08

### Revised Service Delivery and Budget Implementation Plan (SDBIP) for the 2016/17 financial year

Upon performing oversight on the SDBIP, no material comments were made by the Committee and the Office of the Auditor-General (AGSA) was satisfied that a review had been conducted on the SDBIP in line with their recommendations made during the audit that was performed during the 2016/17 financial year.

The following are proposed changes from the original SDBIP for 2016/17 Financial Year:

#### 1. KEY PERFORMANCE AREA - MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

- (a) Changes were effected on ID 1.3 (b) of the plan which focuses on post audit action plan matters for 2015/16, the initial target date for execution of this Key Performance Indicator was set for December 2016 instead of March 2017. The KPI applies to all departments in the municipality with the inclusion of Political Offices;

#### 2. KEY PERFORMANCE AREA - BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

- (a) Changes were effected on ID 2.1 (a) and 2.1 (b) in the Offices of the Municipal Manager, Project Management and Public Works respectively as the core functions of the latter are related to projects on roads. Initially this Key performance Indicator was focusing on all municipal services e.g. water, sanitation, electricity, storm water and roads.
- (b) ID 2.2 from Department Public Works and Project Management was removed from the SDBIP since this project was completed in the previous financial year that and related to the upgrading of Sports Facilities in Villers - Mafube Local Municipality.
- (c) ID 2.5 from the Department Environmental Health and Emergency Services focuses on the expansion of communication strategies at the Disaster Management Centre of the municipality and the initial focus was on the completion of the Disaster Management Centre which was completed during the previous financial year.



RECOMMENDATIONS TO COUNCIL:

- 2.1. That Council approve the revised SDBIP for the 2016/17 financial year as tabled before MPAC;
- 2.2. That the revised SDBIP be advertised for the interest of the public.

ITEM 09

Annual Draft Budget for 2017/18 Financial Year MSCOA Implementation

The presentation of the Annual Draft Budget for the 2017/18 Financial Year for purposes of MSCOA implementation.

Upon performing oversight on the presentation made, the Committee requested clarity on the following issues:

1. Strategies identified on the implementation of cost containment measures;
2. Strategies on the repayment of loans in light of the current financial position of the municipality;

The Acting Accounting Officer provided the following explanations:

1. That cost containment measures have been identified and will continue to be effected and a report will be submitted to MPAC;
2. That a need has not been established to raise loans by the municipality;

Comments made by Office of the Auditor General - Mr. Opperman during the meeting:

1. The AG advised that the provision for depreciation should be cash backed to ensure that the municipality has financial resources to replace the assets at the end of the term;
2. Furthermore, that the IDP and Budget should be aligned/linked to ensure that the objectives of the IDP are achieved within the available financial resources of the institution;

RECOMMENDATION TO COUNCIL:

- a) That the budget be tabled before Council for approval.

8. IMPLEMENTATION PLAN

NONE

9. FINANCIAL IMPLICATION

NONE

10. STAFF IMPLICATIONS

NONE

11. RECOMMENDATIONS

1. That Council take note of all recommendations made by MPAC.
2. That Council implement, where necessary, the recommendations made by MPAC.
3. That Council approve the report by MPAC as presented.