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## Office of the Speaker

Sedibeng District Municipality

### EXTRACT OF THE MINUTES OF THE 80<sup>TH</sup> COUNCIL MEETING HELD ON 11 FEBRUARY 2015

#### 8.2 "MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC): OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2013/14 FINANCIAL YEAR

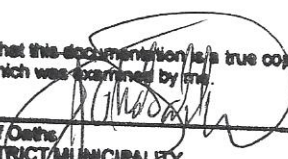
(3/P)

*Office of the Speaker*

#### Resolved

1. *THAT after Council has fully considered the Annual Report 2013/14 Financial Year, (77<sup>th</sup> Council, Resolution A1362, held on 27 August 2014) with stakeholders comments and responses from the management, adopts the oversight report.*
2. *THAT the Annual Report for 2013/14 Financial Year referred to in (1) above without reservations, be hereby approved.*

I hereby certify that this documentation is a true copy of the original which was examined by me.

  
Commissioner of Oaths  
SEDIBENG DISTRICT MUNICIPALITY  
Full Name: NELSON MAKHUBANE TSHABALALA  
POSITION: MANAGER: LEGAL & SUPPORT SERVICES  
MUNICIPAL BUILDING, CNR LESLIE & BEACONSFIELD AVENUE,  
VEREENINGING

Date: 11/02/2015

*MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OVERSIGHT REPORT*

2013/2014

SEDIBENG DISTRICT MUNICIPALITY

CONFIDENTIAL

## MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) MEMBERS

- Clr Mokako M.S (ANC) - **Chairperson**
- Clr Majola A.K (ANC)
- Clr Maseko Y.T (ANC)
- Clr Masilo W.J (ANC)
- Clr Matsei N.P (ANC)
- Clr Mollo D. S (DA)
- Clr Mulder M (DA)
- Clr Pooe N.S (PAC)
- Clr Sotsu V.O (ANC)
  
- Clr. B.J. Modisakeng - Speaker of the council, serving in ex-officio capacity



## FOREWORD BY CHAIRPERSON

The 2013/14 financial year was another milestone as the municipality has consistently sustains its performance in improving the lives of the people by achieving a clean audit outcome for the second time in a row. Safely to indicate an upward movement in the performance graph as one of the sister municipality Midvaal has also attained a clean audit outcome. These achievements serves as an indicator of the commitment of these municipalities in ensuring that a good story to tell becomes the order of the day. Our fundamental principles of democracy are that government is responsible to the people.

Effective social accountability will have the following elements:

- Politicians account adequately to their electorate
- The Council justifies and explains to its citizens its performance and the use of public funds
- The Municipal Council responds adequately to expressions of dissatisfaction by its citizens
- Citizens are informed about local government processes and play an active role in participatory planning, implementation and auditing local structures. Administrative accountability – the extent to which internal controls of the municipality in place and effective to guarantee that money is used for the intended purposes?

Effective administrative accountability will have the following elements:

- Financial and asset management of the Municipal Council is good and controls are in place and effective
- Independent financial audits are of good quality and adequately followed up by management
- Audit committees are functional with both local government and citizen representation and have clear roles and functions
- The expected behaviour of municipal staff is clear and adhered to.

Accountability and transparency are indispensable pillars of good governance. They compel government to focus on outcomes and impacts rather than outputs. The state is further compelled to develop result-oriented strategies, monitor and report performance. Through public accountability and transparency, government can achieve harmony between public policy, implementation and resource use. It is generally accepted principle that those responsible for the conduct of public activities and the handling of public funds should be held fully accountable for:

- Ensuring that the public funds are safeguarded and properly accounted for,
- Conducting all activities in accordance with the applicable law, regulations and standards
- Delivering services' in an economic, efficient and effective manner and strengthening service delivery performance, by establishing and seeking to by establishing and seeking to achieve targets and meeting community expectations and outcomes.

## **Legal Framework**

Every committee of council its work is guided by a legislation which the MPAC is not unique amongst those council committees when performing its oversight work. The annual oversight is compiled in terms of Section 129(1) of the Municipal Finance Management Act, No. 56 of 2003 which read as follows: "The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include statement whether the council-

*(a) has approved the annual report with or without reservations;*

(b) has reject the annual report; or

(c) has referred the annual report back for revision of those components that can be revised."

The Municipal Finance Management Act (MFMA), Circular No 32, stipulate clearly the way the overall financial activities of the council should be handled and more emphasis is on the functionality of the oversight committee.

## **Stakeholders**

The 27<sup>th</sup> August 2013/2014 annual report was posted on the municipality's website and public places and it further requires the office of the Municipal Manager after seven (7) days to invite the public for comments. MPAC meetings were convened and there was an engagement with different external stakeholders in soliciting information which has assisted the committee in formulating questions for the Senior Management to respond. On the 04<sup>th</sup> of February the office of the Auditor General, Provincial Treasury and COGTA were invited for information sharing on the outcome and findings on the Annual Report of the municipality. After the adoption of the oversight report, the committee will undertake outreach programmes amongst the communities to promote its work. Senior management was also invited by the Municipal Public Accounts Committee to appear before the committee for engagements on the responses submitted before the committee to clarify the committee on certain matters after the committee realized that the information on the responses was not sufficient. The committee will then submit the improved management responses as per the annexure to the oversight report in the next council sitting. The office will also engage communities on the annual report and the oversight report through public participation immediately after the report has been tabled and approved. These public participation efforts are aimed at promoting transparency and accountability on the work of the municipality and the committee. The office of the Municipal Manager will be expected to summarize the outcomes of 2013/14 financial year for the Executive Mayor to present officially to the communities as part of deepening democracy and promote transparency and accountability.



### **Committee Meetings**

Municipal public account committee has tabled its activity plan before council for approval as a way of outlining its business. This activity plan is as per the terms of references submitted to council which clear define the work of this committee. The committee is also guided by the Intergovernmental Protocol Framework in convening its meetings as a way of avoiding unnecessary clashes with the locals. Ten (10) meetings were held (find attached minutes) and all these meetings formed a quorum including strategic retreat which were organized to develop an oversight report. The MPAC chairperson attended Association of Public Accounts Committee (APAC) conference which is convened annually of which resolutions in a form of declaration was taken. Due to the correspondence written to the municipality as part of invitation that only one member of the committee must attend the conference, it is a challenge for the whole committee to be part of these events as they are designed to capacitate committee members.

### **Capacity Building**

Capacity for the committee is built through engagements with the office of the Auditor General, Gauteng Provincial Government, National Treasury and Provincial Treasury and also through SALGA workshops. The office of the speaker through capacity building and training has a sole responsibility in capacitating all councilors across party lines. South African Local Government Association as a mother body has rolled out the first phase of workshops that were directly focusing on capacitating Chairpersons and finance HOD's including Members of the Mayoral Committees who are in charge of the finance department to all municipalities across the country. It is further requested that these training should be attended by MPAC members as part of their capacity as COGTA visited municipalities in assessing the current status of these committee and also checking on areas of difficulties during the actual operations. Therefore COGTA should facilitate training on monitoring and evaluation as part of building capacity and enhancing productivity to the members.

### **Conclusion**

As the municipality received the clean audit for the second time in a row, the committee is geared to ensure that this outcome is sustained for the next financial year 2014/15. The oversight committee as the committee of council has to conduct its affairs in a manner that is geared to improve the performance of the municipality and strengthening transparency and accountability. Even though the outcome was clean, that does not mean the oversight bodies will sit into their laurels and pretend that all is well; a lot is required. During the 2013/14 financial year the assessments made by Auditor General using its scope did not find any noncompliance in all the three legs such as Financials, predetermined objectives and laws and regulations.

The committee also wants to commend the work of the administration in ensuring that the municipality continue to improves and sustain its qualification as the office of the Audit General has expressed a Clean Audit Opinion for 2013/14 financial year.

Finally, I wish to congratulate the commitment, the unity and contribution made by the committee members and the support the Speaker gave to this committee from the inception until to date.

Towards enhanced service delivery and financial accountability.



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**CLR MS MOKAKO**  
**CHAIRPERSON: MPAC**

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## GLOSSARY

AFS	-	Annual Financial Statements
AG	-	Auditor General
ANC	-	African National Congress
APAC	-	Association of Public Accounts Committees
CFO	-	Chief Financial Officer
CAPEX	-	Capital Expenditure
CPIX	-	Consumer Price Index
DA	-	Democratic Alliance
E-PMS	-	Electronic Performance Management System
IDP	-	Integrated Development Plan
MEC	-	Member of Executive Council
MFMA	-	Municipal Finance Management Act
MPAC	-	Municipal Public Account Committee
MSA	-	Municipal Systems Act
OPEX	-	Operating Expenditure
PAC	-	Pan Africanist Congress
SDM	-	Sedibeng District Municipality

## 1. PREAMBLE

The oversight report covers the period 2013/14 financial year and started off with a broad outline of the objectives of the Municipal Public Account Committee (MPAC). The Sedibeng MPAC committee set out to achieve the following objectives;-

- There is no fraud or corruption in the administration or in council
- There is legal compliance whenever required
- That the municipality gets value for money whenever money is spent
- That the budget and IDP is properly aligned
- That there is proper service delivery in all areas of our jurisdiction and always take into consideration the needs of the people, needs established through public participation.
- That the impact of our report will be of such a nature, that it is useful to council and that in the final analysis, the committee is able to advice the council correctly.

Methods used by the committee in preparing the oversight report included the convening of meetings where the Annual Report, IDP, SDBIP and all supporting documentation were scrutinized.

Government departments were invited to clarify on the views regarding the overall performance of the institution and they briefed the committee on important issues which were not considered during the 2013/14 financial year with regard to financials, pre-determined objectives etc.

Auditor General provided a broad outline on the gaps and key strategic areas which the municipality could not do correctly. Questions were formulated on specific areas of concern raised by different stakeholders of government and members of MPAC. Senior managers and some members of the mayoral committee (MMC's) were also invited to respond and provide clarities on IDP and annual report. All these engagements have assisted the committee in developing the final draft oversight report to be tabled to council.

Accordingly the oversight report will cover: The Integrated Development Plan, Annual Report; Service Tariffs and Auditor General's Report, Audit committee report, policies of council according to the checklist used developed by Nation and Provincial Treasury in assisting local government when performing its oversight work.

## 2. LIST OF DOCUMENTS

A list of documents were considered in the process of finalization of the oversight report, not all documents will be attached to the report, only those documents that had a direct bearing on the work of the committee are attached. Other documents can be found in the Office of the Speaker for inspection or perusal and for the purpose of transparency and the promotion of good governance. Attached are the following:

- Annexure “A” - Presentation by Provincial Treasury on Sedibeng District Municipality Annual Report 2013/2014;
- Annexure “B” - Presentation by the office of the Department of Local Government and Traditional affairs;
- Annexure “C” - Questions compiled for the management;
- Annexure “D” - Management Responses;
- Annexure “E” - Extended Public Works Programme (EPWP) – Roll Over Report;
- Annexure “F” - Roll Over Letters.

## 3. TIME FRAMES FOR ANNUAL REPORT

The following outlines the major steps in the Annual Reporting process indicating responsibilities and dates prescribed in the Municipal Finance Management Act and Municipal Systems Act.

				Compliance
31 August	Submit municipality’s AFS to Auditor-General	S126(1)(a)	Municipal Manager	Complied
31 August	Submit municipal entity AFS to parent municipality and to Auditor-General	S126(2)	Municipal Entity Accounting Officer	Complied
30 September	Submit consolidated AFS to Auditor-General (municipalities and entities)	S126(1)(b)	Municipal Manager	Complied
Within three months of receiving AFS (30 November or 31 December)	Audit report returned to Municipal Manager	S126(3)	Auditor-General	Complied
On receipt of audit report	Municipality must address any issues raised by the Auditor-General and prepare action plans to address issues and include these in annual report. Provide copy of report to Audit Committee	S131(1)	Municipal Manager. Mayor must ensure compliance by municipality	Complied
31 December	Entity submits annual report to Municipal Manager	S127(1)	Municipal Entity Accounting Officer	Complied
31 December	Annual Reports of municipality and entities tabled in Council	S127(2)	Mayor	complied
Immediately after annual report is	Annual report made public and local community	S127(5)(a)(M SA)S21A and	Municipal Manager	Complied



				Compliance
abled	invited to submit representations.	B		
Immediately after annual report is abled	Annual report submitted to Auditor-General, relevant provincial treasury and provincial department responsible for local government in the province.	S127(5)(b)	Municipal Manager	Complied
When meetings held to discuss the annual report	Attend meetings to respond to questions concerning	S129(2)(a)	Accounting Officer of municipality and entity	Complied
Following meetings to discuss the annual report	Submit copies of minutes of the meetings to the Auditor-General, provincial treasury and provincial department responsible for local government	S129(2)(b)	Accounting Officer of municipality and entity	Complied
Within seven days of adoption of oversight report	Make public the oversight report	S129(3)S21A-MSA	Accounting Officer	Complied
Within seven days of adoption of oversight report	Submit to the provincial legislature, the annual report of municipality and entities and the oversight reports on those annual reports.	S132(1)& (2)	Accounting Officer	Complied.
As necessary	Monitor compliance with submission of reports to provincial legislature	S132(3)	MEC for local government in the province	Complied
Within 60 days of receiving annual reports	Report to provincial legislature any omissions by municipalities in addressing issues raised by the Auditor-General	S131(2)	MEC for local government in the province	Complied
Annually	Report to Parliament on actions taken by MEC's for local government to address issues raised by Auditor-General on municipal and entity AFS	S134	Cabinet member responsible for local government	Not applicable to municipality

#### **4. OVERSIGHT FRAMEWORK**

The oversight framework as attached contains the following key aspects:

##### **4.1. Integrated Development Plan (IDP)**

- **Was the IDP tabled before the council?**

The municipality tabled and adopted the IDP for 2013/14 Financial year and reviewed 2013/14 on the 26<sup>th</sup> Special Council held on 29 May 2013, resolution 5.1.

- **Was there any compliance with regard to the format and components and timelines?**

The IDP complies with the provision made in the Municipal Systems act, s (26) with regard to the components. The MEC's comments were considered on the reviewed for the following financial year.

**- Was there any Budget Alignment to IDP?**

There was no alignment with regard to IDP and the Budget as certain targets were not met and the example of the occurrence was as a result of poor planning by departments such as Transport, Infrastructure and Environment (TIE). The translation of the projects committed in the IDP to the SDBIP is still a challenge and the municipality should organize training for its employees as part of capacity. The MPAC committee therefore advised the administration that during planning stages departments must not include projects in the IDP if funds are not available.

**4.2. The IDP contains MEC comments for 2013/14 financial year as follows:**

After the adoption of the IDP 2012/17, the Sedibeng District Municipality submitted its five year IDP to the MEC for for Local government for comments. Below are the comments from the MEC of Local Government and Housing the Sedibeng IDP.

MEC COMMENTS	CLUSTERS REPOSIBLE
<p><b>Planning for Migration:</b></p> <p>Municipalities are urge to take active measures; effective and timeous release of well-located and serviced land for human settlement development, proactive infrastructure planning and budgeting, and effective by-laws enforcement.</p>	<p>SDM does not own any land for human settlement. Majority of the land in the region is privately owned. Through the Housing Forum, SDM is in constant engagement with the Gauteng Department of Local Government and Housing to identify suitable, well located land for human settlement. Infrastructure planning and budgeting as well as By-laws enforcement is presently the competency of the local municipalities.</p> <p>However, SDM h mobilized financial resources from Treasury through the NDPG towards beautification of townships as part of the integrated human settlement program on behalf of the local municipalities. These include Sebokeng Cultural Precincts in Emfuleni LM, Sicelo Precinct in Midvaal LM and Taxi Ranks in Lesedi LM.</p> <p>It should be noted that Sedibeng is also engaged in developments that need to be empowered and maintained in order to attract population, tourists and investors to come to Sedibeng District Municipality (SDM) in response to the analysis in 2012/12 Integrated Plan (IDP) where it was said that SDM is no longer a major recipient of in-migration.</p>



Investment in Maintenance: Municipalities are urged to work towards ensuring that their investment in maintenance equals 8% of the value of the Property, plant and Equipment (PPE) in line with Treasury guide.

As a district municipality, council does not own the bulk of their infrastructure assets as well as do not have powers and functions related to revenue generated from bulk service-charges. Hence, the 8% guide provided by National Treasury is considered to be overly optimistic and at this stage cannot be realistically incorporated into the MTREF.

However, a service level agreement has been entered into with the Department of Transport that 5% of the Licensing revenue will be allocated towards maintaining licensing centers.

In addition an analysis was conducted on the asset base by the insurance broker to determine the operational risk on council's asset maintenance programme. This programme was tabled and discussed at Manco where upon the Corporate Services Maintenance Dept. was tasked to action the recommendations.

In air quality management, air quality systems are contracted with a maintenance contract build in which provide for maintenance over the next x3 financial years. In licensing systems, provision is made for maintenance (testing facilities) as prescribed in the SLA with the provincial department of Transport.

For civil infrastructure, the infrastructure that we build (roads, sport facilities) is handed over to the LM's as an asset for them to maintain.

**Inter Municipal Planning:**

Gauteng is forging ahead with the Global City Region. Municipalities are urged to continue taking initiatives aimed at better inter-municipal coordination and planning in building a Globally Competitive Gauteng City Region.

SDM has supported the proposal towards the single authority. The SDM has embarked on the process towards the establishment of a Metropolitan Municipality. SDM has made submissions to the Municipal Demarcations board in support of the "proposed redetermination of the municipal boundaries of Emfuleni Local Municipality (GT421), Midvaal Local Municipality (GT422) and Sedibeng District Municipality (GT421) and Midvaal Local Municipality (GT422) into a single Category A municipality."

**Planning for the Outcomes:**

Continuous collaborative efforts are required to entrench outcome-based planning within IDP,s across the province.

**IDP & All Clusters:**

SDM has developed its IDP that is embedded in the outcomes based planning and has integrated both the provincial and national Outcomes in that regard.



<p><b>Statistical Data:</b></p> <p>Poor use of Statistical data was raised. Municipalities are urged to make use of 2011 Census results in the measures aimed at improving quality and credibility of IDP's.</p>	<p>IDP &amp; All Clusters:</p> <p>In the SDM Integrated Development Plan, primary municipal data source is Stats SA Census 2011 and auxiliary information; we have considered other sources as secondary source.</p>
<p>Number of Rural area nodes with low population densities: The provision of services like transport remains the challenge. The municipality is planning to develop and promote rail in the region to improve the public Transport system. More integrated approach is recommended in the line with the Integrated Transport Plan in particular the public Transport Plan.</p>	<p>The provision of transport still remains a challenge in the rural communities because of a low number of passengers to effectively operate a public transport. On engagement with public transport operators it was not profitable to them to operate public transport on regular basis.</p>
<p><b>Housing Demand:</b></p> <p>A total number of 54820 backyard units recorded in the district. The municipality should explore promotion and supply of rental housing to meet the demand, in line with Department of Local Government Housing's Alternative Tenure Programme. Furthermore, the tenants of the Breaking New Ground policy should be pursued as it promotes mixed and integrated human settle.</p>	<p>The Sedibeng District Municipality plays a coordinating and facilitating role in the Housing delivery to support both Local Municipalities and the Provincial Department of Local Government and Housing. A structure responsible for Housing projects in Sedibeng District is in place and functioning to ensure that alternative tenure and ground breaking policy are pursued in the Housing delivery.</p>
<p><b>Consolidation of governance through Metro Systems of governance by 2016:</b></p> <p>With the support from the district, some of high level issues that the municipality needs to focus on include uniform Spatial planning, a macro economic development strategy, infrastructure planning and budgeting; and governance. The district must demonstrate programmatically coordinates planning across the region in the built up towards a Metro.</p>	<p>Sedibeng District Municipality is improving ahead with the process of consolidating of Governance in the region. All the legal and regulatory processes have been complied with in this regard and in preparation for the final determination by the Municipal Demarcation Board programmes are in place such as undertaking a comprehensive five (5) year Spatial Development Planning with the support from the Gauteng Department of Economic Development, Infrastructure Planning, Governance and Budgeting which will be converted into work streams once a decision to become a Metropolitan Municipality is made.</p>
<p><b>Performance Management System:</b></p> <p>The omission of the PMS in the District IDP constitute the breach of Systems Act of 2000(section 26). The latter also makes it difficult to compare PMS with the IDP priorities and assess synergies and gaps. The municipality is urged to ensure that the 2013/14 IDP currently being developed integrates the PMS Section.</p>	<p>In 2011, the Sedibeng District Municipality procured an electronic PMS integrating organizational planning, contracting, monitoring, evaluation and reporting. These encompass: IDP and PMS.SDM Council in its meeting on the 24 October 2012 also resolved to integrate and centralize IDP and PMS (individual and Organizational) into one Directorate to be located in the Office of the Municipal Manager</p>

**Alignment with National and Provincial Priorities.**

The municipality's financial commitment to the identified DS/Outcomes programmes the District is urged to expand is initiative across the region as one of the building blocks towards regional planning.

Sedibeng District Municipality's Integrated Development Plan is informed by its Growth and Development Strategy that are aligned with the National and Provincial Outcomes as well as the National Development Plan.

The Sedibeng Growth and Development Strategy seven pillars have anchored Local Municipalities 'Integrated Development Planning as Strategies to ensure district wide planning and budgeting on the same priorities are synchronized

### **4.3 Service Tariffs**

Service tariffs were communicated to the community members through IDP public participation.

### **4.4 Auditor General's Report**

Findings of the Auditor General are as follows:

#### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Sedibeng District Municipality as at 30 June 014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRA and the requirements of the MFMA and DoRA.

#### **Emphasis of matters**

I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### **Funding of operations**

Note 31 to the financial statements indicates that the Sedibeng District Municipality incurred a net loss of R28 014 398 during the year ended 30 June 2014 and, as of that date, the municipality's current liabilities exceeded its current assets by R59 855 797. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.



### **Significant uncertainties**

With reference to note 28 to the financial statements, the municipality is a defendant in a number of law suits. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial year.

### **Restatements of corresponding figures**

As disclosed in note 29 to the financial statements, the corresponding figures 30 June 2013 have been restated as a result of an error discovered during 30 June 2013 in the financial statements of Sedibeng District Municipality at, and for the year ended, 30 June 2014.

### **Additional matter**

I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Unaudited disclosure notes**

In terms of section 125(2) (e) of the MFMA the municipality is required to disclose particulars of non-compliance with MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

### **Report on other legal and regulatory requirements**

In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programme presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my test was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### **Predetermined objectives.**

I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2014:

- Objectives 1: Improving stakeholder relations through public participation on pages xx to xx.
- Objective 2: The pursuit of efficient, accountable, co-operative governance pages xx to xx
- Objective 3: Promote and Develop the Tourism Sector pages xx to xx
- Objective 4: Create long term sustainable jobs; reduce unemployment, poverty and inequalities pages xx to xx.
- Objective 5: Promote Residential Development and Urban Renewal pages xx to xx



- Objective 6: Plan for effective, efficient and sustainable infrastructure for water and sanitation, and provincial of electricity pages xx to xx
- Objective 7: Implementation of effective and efficient environmental management in the Sedibeng District Municipality pages xx to xx.
- Objective 8: Ensure the implementation of MHS programmes to reduce environmental health risk pages xx to xx
- Objective 9: Plan and develop accessible, safe and affordable public transport systems and facilities pages xx to xx.
- Objective 10: Promote efficient movements of freight in the region pages xx to xx.
- Objective 11: Render an efficient, effective and corruption free vehicle state registration and licensing service pages xx to xx.
- Objective 12: Facilitate and coordinate internal and external HIV And AIDS.

I evaluated the reported performance information against the overall criteria of usefulness and reliability.

I evaluated the usefulness of the reported performance information to determine whether it is presented in accordance with the National Treasury's reporting principles and whether the reported performance 'was consistent with the planned development priorities.

I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measureable, time bound and relevant, as required by the National's Framework for managing programme performance information.

I assessed the reliability of the reported performance information to determine whether was valid, accurate and complete.

I did not raise any material findings relating to the usefulness and reliability of the reported performance information for the selected objectives.

### **Additional matter**

I draw attention to the following matter:

### **Achievement of planned targets**

Refer to the annual performance report on pages x to x; x to x for information on the achievement of planned targets for the year.

### **Compliance with legislation**

I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAIA.

## Internal control

I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

### 4.5 Annual Report

The Annual Report was tabled during the council 77 dated 2014-08-27 as council resolution A 1362. The Annual Report draft was tabled before council for noting in August 2014 and with regard to timeline and the municipality did comply. The annual report did comply in terms of the content even though there were some gaps in as far the reporting template is concerned. As per the presentation by COGTA and Treasury it was also learnt that the committees could have performed its oversight immediately and submit its report to council as findings were made to August report as per the regulation.

According to the Oversight Report Framework, annual reports are required in terms of s (46) and s (121) and s (129) of the Municipal Finance Management Act, no 56 of 2003, the Annual Report has to comply with the following components. A foreword by the Executive Mayor; an overview by the Municipal Manager, an organisational structure, the report of the Auditor General on the performance of the municipality, audited Financial Statements, Audited Report of the financial Statements , disclosure on government grants and disclosure on councillors.

The committee also identified grey areas to be rectified by administration and the Annual Report be placed on the municipalities website with the following being effected to the final report;

- 4.5.1 THAT the Mayor's Foreword should directly linked to the Integrated Development Plan and Budget of the year under review.
- 4.5.2 THAT compilation of the Annual Report 2013/14 should comply with the Council resolutions on Oversight Report 2011/12 to date.
- 4.5.3 THAT the Municipal Manager's Executive Summary be directly linked to the Integrated Development Plan / Budget and Growth and Development Strategy 2.
- 4.5.4 THAT all the requisite graphs and tables in the Annual Report be filled completely and in the required format and interpretative comments provided.
- 4.5.5 THAT the updated HR Dashboard be submitted to the Chairperson of MPAC.
- 4.5.6 THAT after completion of Core-Competency training, the report be submitted to Council not later than the end of October 2015.



- 4.5.7 THAT all municipal communication platforms be continuously updated with the requisite information in line with section 75 of Municipal Finance Management Act, 56 of 2003.

#### **4.6. Specific Grants**

Restructuring grants are not applicable to the district. Grants at the level of the district are grants such as Municipal Infrastructure Grant, Governments grants and subsidies, equitable shares, Provincial grants, Neighborhood Grants and DLG Grants.

#### **4.7. Circular 32, 63 and 11 of National Treasury**

The Municipal Public Account Committee will be guided by the above mentioned regulation in doing and completing its work and it will also expect the municipality to fully adhere as the objective is to promote good governance.

#### **4.8. CFO's response to Auditor General Report and corrective measures taken**

The corrective measures were submitted before the MPAC committee as they were included in the final draft report that was presented before the council of December to be noted and the committee will continue to monitor the implementation of the Action Plan as it has been submitted and also attached to the Revised Annual Report which is complying with the new reporting table by the National and Provincial Treasury.

**Findings** by the office of the Auditor General on the management letter were sixteen (16):

The following four findings were resolved:

- The valuation of the commitment note 27.2 as per the AFS was in correct and the schedule of commitments was not complete. (Finance department);
- Supply Chain Management: information not submitted for audit. (SCM);
- The actual performance against targets not included in the Annual performance report. (MM's office); and
- Assets: lease agreement incorrectly classified. (Finance department).

On-going findings in terms of implementation were four (4):

- Operating deficit more than five percentage of revenue. (Finance department);
- SCM: Declaration of interest not submitted for audit. (HR);
- SCM: Three quotations not obtained (SCM); and
- SCM: Tax clearance not provided for audit. (SCM).

Work in progress eight (8)

- Budgeted amount is not included in the SDBIP for all objectives. (MM's office);
- Performance indicators not measurable. (MM's office);



- SCM: Amount paid to service provider exceeds the original contract amount. (SCM);
- Information Technology Governance (IT);
- Information Technology Service Continuity (IT);
- Security Management (IT);
- User access management (IT); and
- Program change management. (IT).

#### **4.9 Municipal Bank Account**

The Council is using a main account which is ABSA, and the Council is also using other savings accounts for investments such as FNB and Standard bank.

#### **4.10 Cash, Investments, and Asset Management**

Cash investment policy was reviewed and tabled to 75<sup>th</sup> Council held on 28 May 2014 as resolutions A1329 and A1330.

#### **4.11 Debt Register**

The debt register was in existence and operational and it was taken care off. Debtors' register - refer to Note 7 from audited 13/14 AFS (pages as attached).

#### **4.12 Financial Management**

According to Municipal Systems Act (MSA), 2000 s46 sub s3 (a) (i) stipulate the Annual Report should be published and written notice be sent to the Auditor General and the MEC. The Sedibeng District Municipality website has been uploaded with the Annual Report for 2012/13 financial year and performance contract of the section 57 employees for the first time which forms part of the compliance. Only one cluster which the performance contract for sec 57 is not uploaded to the website. In terms of regulation 66 of the MFMA act the municipality has adhered to the best practice with regard to corporate governance and the full compliance.

#### **4.13 Supply Chain Management**

The SCM Policy has been reviewed, tabled and approved by Council on the **01/08/2013 during council 69<sup>th</sup> - resolution A1226**. Sedibeng also reviewed and amended an unauthorised, irregular, fruitless and wasteful expenditure policy which was held on the **06/11/2013 as per council resolution A1287** in a council which was held in 06/11/2013.

#### **4.14 Internal Audit Function**

The internal audit committee is outsourced to a firm called Grant Thornton. The Sedibeng district Municipality does not have an internal audit unit but employed a staff to coordinate and organise the day to day running of the unit in consultation with the outsourced firm. Reports were compiled and forwarded to Audit Committee and the office of the Municipal Manager.

#### **4.15 Audit Committee**

In line with section 166 of the Local Government: Municipal Finance Management Act, No 56 of 2003, the following Audit Committee members were appointed for a two (2) year period that commenced on 01 April 2010 and ended on 30 June 2012. The term of office was extended for a further period of three (3) months and expired on 30 September 2012.

Audit committee has been appointed and in terms of their reports this committee is functional. The committee has the following members in place.

Appointment and resignations –

Three audit committee members resigned in the year under review

- Prof Ababio- Chairperson;
- Mr. J Jojwana; and
- Mr. P Masegare.

New members appointed are –

- Mr. Johan Sitting – April 2014;
- Mr. Haroun Pouchee – September 2014; and
- Mr. S Mofokeng – has been acting as Chairperson from May 2014.

The charter amongst others specifies measures with regard to risks. It also specifies the role of the internal audit committee. The audit committee is functional and is meeting.

#### **4.16 Credit control and debt control**

Debt Management Policy with Council Resolution A1329, held on 28 May 2014 at its 75th Council meeting; A deviation template to record all deviation has been developed. All deviations are reported to council on monthly basis and annual deviations are disclosed as a note on the annual financial statements. Sedibeng District Municipality is monitoring its internal controls to ensure that processes on procurements are undertaken properly.



Tender documents are now centralized at Supply Chain Management according to the project plan, to address tendering and procurement issues. And it was emphasized that an oversight role should be played on whether the accounting officer submit the report on the implementation plan of the policy, which should takes 30 days after the end of the financial year.

#### **4.17 Audit Queries**

The committee will look beyond what the Auditor General has raised as a root causes and perform its oversight accordingly in improving and sustaining the current outcome expressed by the office of the Auditor General for the financial year 2013/14.

### **5. CONCLUSION**

The Annual Report for the financial year 2013/14 complied with tabling of the Annual Report. The committee also picked grey areas to the report and advice the administration to take its work very serious as this report has to be tabled to public. The committee will ensure that the institution is geared towards sustaining the current outcome and furthermore monitor the gradually improvement of the local municipalities in attaining the clean audit through the IGR district policy framework. Municipal Public Accounts Committee advice the municipality to consider and implement the comments made by Provincial stakeholders as part of enhancing quality reporting.

### **RECOMMENDED**

1. THAT after Council has fully considered the Annual Report 2013/14 Financial Year, (77<sup>th</sup> Council, Resolution A1362, held on 27 August 2014) with stakeholders comments and responses from the management, adopts the oversight report.
2. THAT it is hereby recommended that Council adopts the annual report referred to in (1) above without reservations.

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