

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY



## OVERSIGHT REPORT ON 2013 /2014 ANNUALREPORT

## **PURPOSE**

To inform Council about the work of the Municipal Public Accounts Committee ( MPAC ) and to make recommendations to Council as required in terms of Section 129 ( 1 ) of the Local Government : Municipal Finance Management Act 56 of 2003 on the draft 2013/2014 annual report.

## **BACKGROUND**

In terms of Section 129 ( 1 ) of the Local Government: Municipal Finance Management Act 56 of 2003, Council of a Municipality must consider the annual report of the Municipality by no later than two months from the date on which the annual report was tabled in Council in terms of Section 127, adopt an oversight report containing the Council's comments on the annual report, which must include a statement whether the Council :-

- ( a ) Has approved the annual report with or without reservations;
- ( b ) has rejected the annual report; or
- ( c ) has referred the annual report back for revision of those components that can be revised.

In terms of section 121 (1) of the Local Government: Municipal Finance Management Act 56 of 2003: the council of a municipality must within nine months after the end of financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

During council meeting of the 23 January 2015 , the Mayor tabled the draft 2013/2014 annual report as prescribed by Section 127 ( 2 ) of the Local Government : Municipal Finance Management Act 56 of 2003. In dealing with the tabled annual report, Council resolved inter alia:

1. That the draft 2013/2014 annual report be noted.
2. That the draft 2013/2014 annual report be referred to the Municipal Public Accounts Committee for further consideration and evaluation.

3. That as prescribed by Section 127 ( 5 ) of the Local Government : Municipal Finance Management Act , 2003 ( Act 56 of 2003 ) immediately after the annual report is tabled in Council in terms of Subsection ( 2 ) , the Accounting Officer of the Municipality must –
- (a) In accordance with Section 21A of the Municipal Systems Act –
    - (i) make public the annual report, and
    - (ii) invite the local community to submit representations in connection with the annual report, and
  - (b) Submit the annual report to the Auditor – General, the relevant Provincial Treasury and the provincial department responsible for local government in the province.

#### **Establishment of Municipal Public Accounts Committee. (MPAC)**

During 2011, Elias Motsoaledi Municipal Council resolved to establish a Municipal Public Accounts Committee ( MPAC ) in terms of the provisions of the Local Government : Municipal Structures Act ( Act 117 of 1998 ) and the Local Government : Municipal Finance Management Act, 2003 ( Act 56 of 2003 ) to serve as an Oversight Committee to exercise oversight over the executive obligations of Council. In terms of SALGA's Practical Guide on MPACs (2012 :10-14 ) the terms of reference for the MPAC include the interrogation of the following financial aspects addressed in the Municipal Finance Management Act:

- ( i ) Unforeseen and unavoidable expenditure;
- ( ii ) Unauthorized, irregular or fruitless and wasteful expenditure;
- ( iii ) The quarterly report of the Mayor on the implementation of the budget and the state of affairs of the municipality / SDBIP;
- ( iv ) Monthly budget statements;
- ( v ) Mid – year budget and performance assessment;
- ( vi ) Mid – year budget and performance assessment of municipal entities – currently not applicable to Elias Motsoaledi Municipality;
- ( vii ) Disclosures concerning councilors, directors and Officials;

- ( viii )Submission and auditing of Annual Financial Statements;
- ( ix ) Submission of the annual report;
- ( x ) Oversight report on the annual report;
- ( xi ) Issues raised by the Auditor – General in audit reports;
- ( xii ) Audit Committee;
- ( xiii )Disciplinary action instituted in terms of the MFMA

The MPAC interrogate the following aspects addressed in the Municipal Systems Act :

- ( xiv )Review of the IDP post elections;
- ( xv ) Annual review of the IDP;
- ( xvi )Performance Management Plan;
- ( xvii)Monitoring that the annual budget is informed by the IDP;
- (xviii)Monitoring that all declaration of interest forms are completed by councilors on  
an annual basis.

**The MPAC committee constitutes of the following members:**

<b>Councilors' Names</b>	<b>Gender</b>	<b>Political Party</b>	<b>Position</b>
Mehlape S.H	Female	ANC	Chairperson
Matlala M.S	Male	ANC	Member
Phala M.L	Male	ANC	Member
Mogamedi V.V	Female	MP	Member
Tshoma M.S	Female	ANC	Member
Mashifane H.S	Male	ANC	Member
Maepa M.M	Male	AZAPO	Member

### **Mechanisms for public participation process**

Immediately after the annual report was tabled in Council, the Accounting Officer in accordance with Section 21A of the Local Government: Municipal Systems Act 32 of 2000 made the draft annual report public. The following are mechanisms which were followed to ensure that the public viewing of the draft 2013/2014 annual report was extensively published for public comments.

<b>Date</b>	<b>Activity</b>
24 January 2015 on the website. 30 January 2015 on sowetan newspaper	The draft 2013/2014 annual report is uploaded on municipal website and made available in municipal offices, municipal library and Municipal Satellite Offices.
16 March 2015	Messages inviting Ward Committees, CDW, Traditional Leaders, traditional Healers and Business People were sent through Ward Secretaries to attend public hearing

Below are the processes undertaken by the committee in dealing with the report.

<b>Details</b>	<b>Dates</b>
Benchmarking at Ehlanzeni District Municipality especially on the application of Circular 63 of the MFMA on Annual Report.	09– 13 February 2015
Perusing the draft annual report and drafting of questionnaires to be forwarded to management for response.	04 – 05 March 2015
MPAC held a public hearing for management to respond to questions raised and the meeting was opened to the public	18 March 2015
MPAC held a meeting to compile the oversight report	25 March 2015

The documentation of the above activities is attached as **annexure 1-6**

### **Summary of comments on the draft 2013/2014 annual report**

The MPAC believes that the draft 2013 / 2014 annual report reflects a substantial and positive improvement in municipal annual planning, budgeting and reporting processes. It is a significant improvement over the previous years' annual report. The annual report complies with the requirements of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) and with National Treasury ( NT ) guidelines for annual reports. MPAC notes that the draft annual report complies with Circular 63 of the MFMA as it contains the following:

<b>Chapters</b>	<b>Details</b>
01	Mayor's Foreword and Executive Summary
02	Governance
03	Service Delivery
04	Organizational Development Performance
05	Financial Performance
06	Audit General's Findings
07	Appendices and Volume : AFS

### **MPAC'S findings on the report**

- That there is an irregular expenditure amounting to R25 224 038.00. Due to the fact that there are no consequences for Officials who incur irregular, fruitless and wasteful expenditure, and as a measure to curb same, Council adopt the stance that some form of action be taken against Officials involved in such action, unless it can be proved that such expenditure was incurred because of circumstances beyond the control of the person/s involved.
- That municipality spends lot of money on travel agencies.
- That the service of the annual financial statement it's still outsourced.
- That municipality is having interests amounting to R113 000.00.

### **Based on the above findings the following is recommended to Council**

- The AFS service be done in house as finance department is fully capacitated.
- That municipality minimizes the use of travel agencies to cut costs.
- Accounting Officer must ensure that progress on audit action plan is monitored to ensure that all matters raised by the Auditor – General are addressed to shape the future.
- That Accounting Officer obtain guidance from National Treasury on how the Council should address irregular, fruitless and wasteful expenditure and submit an action plan reflecting remedial action to address the qualified audit opinion and matters of emphasis raised by the Auditor – General as well as the matters expressed by MPAC and report progress being made on the implementation of the action plan on a quarterly basis.
- The Accounting Officer to urge Supply Chain Management Unit to work in close collaboration with National Treasury to verify employment status of service providers to avoid unnecessary conflict of interests.
- Accounting Officer draw up an action plan of measures that can be put in place to reduce the unacceptable number of deviations, which the Committee deems to stem from a lack of proper planning.
- In order to improve the percentage of targets achieved during every financial year, the Accounting Officer must ensure that quarterly performance sessions are held by the management committee to examine progress report / scorecards in respect of work done relating to targets, and identify and correct problems in time before the end of the financial year.

### **MPAC COMMITTEE'S RECOMMENDATIONS: 25 MARCH 2015**

1. That Council approves the draft 2013/2014 annual report.
2. That the quality of the Annual Report be included as a Key Performance Indicator ( KPI) in the performance agreements of the Accounting Officer and Directors in order to ensure the production of a top class document.
3. That the oversight report be made public in accordance with Section 129 ( 3 ) of the Local Government: Municipal Finance Management Act 56 of 2003.
4. That the oversight report be submitted to the Provincial Legislature in accordance with section 132 ( 2 ) of the Local Government: Municipal Finance Management Act 56 of 2003.

## **Conclusion**

The MPAC committee thanks all the relevant participants for their support and cooperation during the oversight process. The committee believes that Elias Motsoaledi Municipality and its citizens will realize substantial and tangible benefits if a similar process is consistently followed in year to come.

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**S.H MEHLAPE**

**MPAC CHAIRPERSON**