

Sekhukhune District Municipality

Oversight Report on the 2016/17 financial year Draft Annual Report



***Office of the Speaker
Municipal Public Accounts Committee***

Contents

Abbreviations and acronyms.....	2
1. Introduction.....	3
2. Legislative mandate on the adoption of the oversight report	3
3. Comments on the draft Annual Report 2016/2017	4
3.1 Municipal Finance Management Act.....	4
3.2 Division of Revenue Act.....	4
3.3 Municipal Systems Act.....	5
4. The Performance Audit Committee	5
5. General findings and comments by the MPAC	5
6. Public consultative meetings / Comments from the public.....	6
7. Recommendations.....	8
ANNEXURE A.....	9
Oversight Process Followed.....	9

Abbreviations and acronyms

AFS	:	Annual Financial Statement
AG	:	Auditor-General
AR	:	Annual Report
CDWs	:	Community Development Workers
DORA	:	Division of Revenue Act
FBO	:	Faith-Based Organisations
GRAP	:	Generally-Recognised Accounting Practices
IWS	:	Infrastructure and Water Services
MFMA	:	Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
MPAC	:	Municipal Public Accounts Committee
MSA	:	Municipal Systems Act, 2000 (Act No. 32 of 2000)
NGO	:	Non-Governmental Organisations (<i>interchangeable with Non-Profit Organisations</i>)
NPO	:	Non-Profit Organisation
PAC	:	Performance Audit Committee
SDA	:	Sekhukhune Development Agency
SDM	:	Sekhukhune District Municipality

1. Introduction

The Auditor-General is listed amongst the institutions that are established in terms of the provisions of section 181 (1) of the Constitution of the Republic of South Africa, 1996 (the Constitution) to strengthen constitutional democracy in the Republic. These institutions are independent and subject only to the Constitution and the law. They must be impartial and are expected to exercise their powers and perform their functions without fear, favour or prejudice. Section 188 (1) of the Constitution empowers, and places an obligation on, the Auditor-General to audit and report on the accounts, financial statements and the financial management of all municipalities in the local sphere of our democratic state.

In terms of section 121 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereinafter referred to as "the MFMA"), every municipality and every municipal entity must prepare an annual report for each financial year. In addition, the MFMA directs all municipal councils across the country to deal with the annual reports of their respective municipalities as well as those of the municipal entities under their sole or shared control within nine months after the end of a financial year. In keeping with the above provisions, a draft Annual Report of the Sekhukhune District Municipality (SDM) for the 2016/17 financial year was presented before Council during its sitting held on January 29, 2018 in the Makhuduthamaga Municipal Chamber.

2. Legislative mandate on the adoption of the oversight report

Section 129 (1) of the MFMA, which deals with the compilation of oversight reports on annual reports, stipulates that –

"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 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."

3. Comments on the draft Annual Report 2016/2017

The legislative imperatives on the compilation of an annual report by a municipality or a municipal entity, which were referred to hereinabove as well as the MPAC's opinion on compliance thereto by the SDM are set out below.

3.1 Municipal Finance Management Act

Legislative requirement	Level of compliance
The annual financial statements are to be compliant	The SDM 2016/17 audited financial statements were not prepared in all material aspects in accordance with Section 122 of the MFMA as highlighted in the Auditor General's Report
The Auditor-General's report is to be included in the annual report	The SDM draft annual report includes the Auditor-General's report as required
Explanations to be included that are necessary to clarify issues or matters in connection with the financial statements	The SDM draft annual report contains the necessary explanations to clarify issues or matters in connection with the financial statements
Corrective action taken or to be taken in response to the issues or matters raised in the audit reports	A comprehensive audit action plan on issues or matters raised in the audit reports was presented to Council
Expenditure Management	The level of compliance to the MFMA and Supply Chain Management legislative prescripts is very low.

3.2 Division of Revenue Act

Legislative requirement	Level of compliance
<p>The annual report to disclose the following:</p> <ul style="list-style-type: none"> o Details of conditional grants received from the national and provincial spheres; o Details of conditional grants received from other municipalities; and, o Details of grants made to any organs of 	The requisite details of conditional grants were disclosed in the draft annual report

Legislative requirement	Level of compliance
state.	
The annual report to disclose the extent to which the conditions of the grants were met by the municipality	Information on conditions of which the grants were met for the 2016/17 financial year is included in the draft annual report though the conditions of section 17(1) of the DORA were contravened as stated by the Auditor General's Report.
The annual report to provide information relating to the benefits paid to Councillors, managers and other officials of the municipality	The draft annual report 2016/17 contains information relating to the benefits paid to Councillors, managers and other officials of the municipality

3.3 Municipal Systems Act

Legislative requirement	Level of compliance
Performance report to be included in the annual report	The performance report of the municipality has been included in the draft annual report.
Performance targets be included in the annual report	Performance targets are included in the draft annual report.
The annual report to have full information on projects implemented by the municipality	The draft annual report does not have full information on projects implemented by the municipality.

4. The Performance Audit Committee

The Audit Committee considered the Draft Annual Report on 08 February 2018.

5. General findings and comments by the MPAC

The Municipal Public Accounts Committee is very concerned about the level of compliance to legislative prescripts and the basic service delivery performance.

During the engagements with the Auditor General, it was found that a disclaimer conclusion on the basic service delivery performance has been arrived at. Furthermore, the reliability of information on service delivery performance is questionable. The committee would like to caution Council on the non-

implementation of resolutions as the matter regarding fickle information has been raised in several oversight reports by several section 79 committees including the Municipal Public Accounts Committee.

It is imperative for Council to come up with a turn-around strategy that will drive the implementation of Council resolutions and ensure that the Integrated Development Planning and its implementation tools are developed in a realistic manner that seeks to effectively address service delivery challenges within the district.

6. Public consultative meetings / Comments from the public

Provisions of Section 127 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA Act 56 of 2003) obliges the accounting officer to make public the annual report, immediately after it had been tabled in Council, and invite the local community to submit representations in connection with the annual report.

Furthermore, the MFMA Circular 32 of 2006 on Oversight on the Annual Report, which was issued by the National Treasury in March 2006, states that all meetings of Council and the oversight committee at which an annual report is considered must be open to the public.

It further provides that reasonable time must be allowed for discussion of any written submissions received and for members of the community and organs of state to address the meetings. Members of the public were consulted by the municipality on the 2016/17 annual report. These public consultative meetings took place from 01 February to 28 February where various stakeholders were consulted within the jurisdiction of the Sekhukhune District.

It is important to also note that section 75 of the MFMA places an obligation on the accounting officer of the municipality to place the annual report on the municipality's website "not later than five days after its tabling in the council or on the date on which it must be made public, whichever occurs first." This committee finds that the annual report for the 2016/17 financial year was placed on the municipality's website.

Below is a brief of the public comments on the 2016/17 Annual report per the Local Municipality:

6.1 Elias Motsoaledi Local Municipality:

6.1.1 There is poor provision of water services;

6.1.2 Bursaries are not allocated in an equitable manner;

- 6.1.3 Provision of sanitation services is not fair, there are other families who are benefit twice while others have never benefitted whereas in other instances the VIP toilets are constructed in empty stands;
- 6.1.4 There is lack of accountability, the municipality and councillors do not consult and report back to their constituencies;
- 6.1.5 Communication channels should be improved;
- 6.1.6 There are areas whereby water tanks are provided but there is no consistent delivery of water;
- 6.1.7 Operations and maintenance is not functional;
- 6.1.8 The municipality should improve on the spatial planning and development and environmental management.

6.2 Makhuduthamaga Local Municipality:

- 6.2.1 Reinforce the municipal by-laws on waste management;
- 6.2.2 Provision of sanitation services should be unbiased;
- 6.2.3 Budget allocation for bursaries should be increased;

6.3 Ephraim Mogale Local Municipality:

- 6.4 The implementation of municipal projects is not adequately monitored to ensure timeous completion.
- 6.4.1 Improve on communication for access to information.

6.5 Fetakgomo – Tubatse Local Municipality

- 6.5.1 Provision of water services has been improved and appreciated;
- 6.5.2 The municipality should permanently employ water pump operators;
- 6.5.3 The Sekhukhune Development Agency should improve on their service to realize the economic goal and vision of the municipality;

6.6 Special groups

- 6.6.1 The municipality should strengthen relations with forums for people living with disabilities so as to enable them to have access to information,
- 6.6.2 People living with disabilities are not sufficiently represented on the establishment of the district municipality;
- 6.6.3 Skills development opportunities should be increased to cover a broad spectrum that will suit people living with disabilities;
- 6.6.4 Improve on the accessibility of municipal building for people living with disabilities and ensure that all other public facilities including the public sector follow suit;
- 6.6.5 The municipality should make provision for sign language and braille interpretation for all municipal consultations and documents;
- 6.6.6 Regular consultations by councillors should be a culture.

7. Recommendations

The committee recommends that –

- 7.1 Council direct the Executive Mayor to ensure that the municipality's planning, performance monitoring, evaluation and reporting mechanisms or systems are strengthened in order to improve overall performance;
- 7.2 The accounting officer should ensure that all the unauthorized, irregular and fruitless or wasteful expenditures are properly recorded and reported regularly as per the legislative prescripts;
- 7.3 The accounting officer should ensure that consequence management applies equally;
- 7.4 The Executive Mayor should direct the accounting officer to peruse all the litigations against the municipality and get out of court settlement in cases where it's possible to do so in order to avoid prolonged cases which will result in the municipality losing a lot of money;
- 7.5 The accounting officer should ensure that there is a budget provision for contingent liabilities;
- 7.6 The annual report for the 2016 / 2017 financial year and all other subsequent annual reports should contain a breakdown of local municipalities, towns and villages where water and sanitation services are provided by the municipality;
- 7.7 The communication strategy of the municipality should be reviewed and sent to council for approval;
- 7.8 Compliance to occupational health and safety standards and all other government policies should be priorities;
- 7.9 Ensure that all municipal building and facilities are accessible for people living with disabilities;
- 7.10 All public gathering should be provided with sign language interpreters and documents be translated into braille;
- 7.11 **Council approve the draft annual report without reservations.**



CLLR. SEFALA K.R.E
CHAIRPERSON: MPAC
SEKHUKHUNE DISTRICT MUNICIPAL COUNCIL

Date 28.03.2018

ANNEXURE A

Oversight Process Followed

- The general public was invited to attend the Ordinary Council meeting held on 29 January 2018 where the municipality's draft annual report for the 2016/17 financial year was tabled;
- The public participation meetings on the 2016/17 draft annual report were held from 01 February to 28 February 2018 in all local municipalities within the district;
- Extensive working sessions to consider the draft annual report for the 2016/17 financial year were convened by the Municipal Public Accounts Committee from 13 - 15 March 2018; and,
- A special meeting of the Municipal Public Accounts Committee was subsequently held 15 March 2018 to consider and recommend the adoption of the oversight report on the 2016/17 draft annual report.