

**OVERSIGHT
REPORT ON
THE
2015/2016
ANNUAL
REPORT**

**Sekhukhune
District
Municipality**



Office of the Speaker
Municipal Public Accounts Committee

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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 2015 / 2016 financial year was presented before Council during its sitting held on January 30, 2017 in the Lim 476 municipal chamber, Ga-Nkwana. The draft annual report was accordingly considered as item **OC 01/01/17**.

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 2015 / 2016

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 with the generally-recognised accounting practices (GRAP)	The SDM draft annual report for the 2015 / 2016 reporting period contain the audited financial statements as presented to Council on January 30, 2017
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 on January 30, 2017

3.2 Division of Revenue Act

Legislative requirement	Level of compliance
The annual report to disclose the following: <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 state. 	The requisite details of conditional grants were disclosed in the draft annual report for the 2015 / 2016 financial year
The annual report to disclose the extent to which the conditions of the grants were met by the municipality	The draft annual report 2015 / 2016 included information on the extent to which conditions of the grants were met
The annual report to provide information relating to outstanding debtors and creditors of the municipality	The draft annual report 2015 / 2016 contains information relating to outstanding debtors and creditors of the municipality
The annual report to provide information relating to the benefits paid to	The draft annual report 2015 / 2016 contains information relating to the

Legislative requirement	Level of compliance
Councillors, managers and other officials of the municipality	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 includes a information on projects implemented by the municipality.

4. The Performance Audit Committee

It is evident that the PAC interrogated the draft annual report for the period under review during its special meeting held on September 28, 2016. The following comments relating to the overall performance of the municipality were made by the PAC:

- The Audit Committee was concerned about the overall under-performance of 67% as highlighted in the draft annual report. The Audit Committee resolved that the draft annual report be approved and that a turnaround plan be developed to improve performance in the 2016 / 2017 financial year.

5. General findings and comments by the MPAC

This committee wishes to express its congratulations to the accounting officer for the notable improvement in the compilation of the draft annual report for the 2015 / 2016 financial year. The following findings and comments are noteworthy:

- 5.1 The committee is similarly concerned with the 67% under-performance of the municipality for the reporting period;
- 5.2 The municipality's planning, performance monitoring, evaluation and reporting mechanisms are inadequate;
- 5.3 The municipality's revenue collection mechanisms are inadequate;

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- 5.4 The draft annual report does not provide a detailed breakdown to indicate the municipalities, towns and villages where services such as water and sanitation were provided during the reporting period; and,
- 5.5 The municipality does not pay sufficient attention to the importance of public participation in Council and municipal activities.

6. Public consultative meetings / Comments from the public

The accounting officer is obliged and bound by the provisions of section 127 of the MFMA 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 2015 / 2016 annual report. These public consultative meetings took place between February 13 and February 23, 2017 in various towns and villages across the district. The municipality invited traditional leaders, Councillors attached to the local municipalities within the district, ward committee members, Community Development Workers (CDWs), forums for persons living with disabilities, labour organisations, the business community, Non-Governmental Organisations (NGOs) or Non-Profit Organisations (NPOs), and various Faith-Based Organisations (FBOs) to these public meetings on the annual report for the 2015/ 2016 financial year.

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 2015 / 2016 financial year was placed on the municipality's website. That said, however, the committee was unable to establish the exact date on which the annual report was so placed on the website.

What follows hereunder are some of the concerns shared with the municipality by members of the public during the public consultation meetings referred to above.

- 6.1 People living with disabilities are not sufficiently represented on the establishment of the district municipality;
- 6.2 There is poor workmanship as well as incomplete water and sanitation projects across the district; and,

6.3 The implementation of municipal projects is not adequately monitored to ensure timeous completion.

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 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;
- 7.3 Council should ensure that the municipality strengthens its public participation mechanisms or systems; and,
- 7.4 **Council approve the draft annual report without reservations.**



CLLR. SEFALA K.R.E

**CHAIRPERSON: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)
SEKHUKHUNE DISTRICT COUNCIL**

Date 31.03.2017

ANNEXURE A

Oversight Process Followed

- The general public was invited to attend the Ordinary Council meeting held on 30 January 2017 where the municipality's final draft annual report for the 2015 / 2016 was tabled;
- The public participation meetings on the 2015 / 2016 annual report were held from February 13 to February 23, 2017 in all local municipalities within the district of Sekhukhune;
- The MPAC had extensive working sessions to consider the annual report for the 2015 / 2016 financial year from 15 March 2017 to 17 March 2017; and,
- The MPAC convened for a special meeting on 17 March 2017 to adopt the oversight report on the 2015 / 2016 draft annual report.