

**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

**OVERSIGHT REPORT  
ON THE ANNUAL REPORT  
1 JULY 2013 – 30 JUNE 2014**

**REPORT DATE : 31 March 2015**



**ENHANCEMENT OF OVERSIGHT THROUGH CREDIBLE  
AND TRANSPARENCY.**

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## MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEMBERS

<b>NO</b>	<b>NAMES</b>	<b>PARTY</b>	<b>ROLE</b>
1.	<b>CLLR. MAHASELA M.C.</b>	<b>ANC</b>	<b>CHAIRPERSON</b>
2.	<b>Cllr. Bvumbi P.</b>	<b>ANC</b>	<b>Committee Member</b>
3.	<b>Cllr. Tshibvumo G.</b>	<b>COPE</b>	<b>Committee Member</b>
4.	<b>Cllr. Mathalise L.M.</b>	<b>ANC</b>	<b>Committee Member</b>
5.	<b>Cllr. Mariba M.J.</b>	<b>DA</b>	<b>Committee Member</b>
6.	<b>Cllr. Tharaga M.D.</b>	<b>ANC</b>	<b>Committee Member</b>
7.	<b>Cllr. Malange R.</b>	<b>ANC</b>	<b>Committee Member</b>
8.	<b>Cllr. Ligege T.S.</b>	<b>PAC</b>	<b>Committee Member</b>
9.	<b>Cllr. Thovhele Mulema S.A.</b>	<b>ANC</b>	<b>Committee Member</b>

### MPAC SUPPORT STAFF

<b>NO.</b>	<b>NAMES</b>	<b>ROLE</b>
1.	<b>Ramugumo P.C.</b>	<b>Acting MPAC Coordinator</b>

## CHAIRPERSON'S FOREWORD

In accordance with MFMA and MSA, each municipality is required to comply by preparing an annual report for each financial year.

Annual report is a key reporting instrument for a municipality. It is meant to be a backward- looking document focusing on performance in the financial year that has just ended. Annual Report must demonstrate how the budget was implemented and also the results of service delivery operations for that financial year.

The Committee would like to thank Council together with the administrators for complying with Sec 46 of Local Government Legislation Municipal Systems Act No. 32 of 2000 and Sections 121-127 of MFMA no 56 of 2003.

The Committee also notes and congratulates the Council and its Administrators in Key Service Delivery improvements achieved:-

- Establishment of Infrastructure department and Water Services Department
- Notable increasing in addressing water backlog issues in FY 2012/13 #167 419 and FY 213/14 186 548.
- EPWP exceeded its job creation target from #7980 to #9308
- Construction of VIP toilets to the tune of 4000.
- Implementation of own performance management framework in assessing individual performance.

The annual reporting also acts as an opportunity to cement our relationship with the community and other stakeholders. Especially now that we are approaching the 2016 Local Government elections. Let us realign our performance plan and resolve our failures by this we will be able to move to a better audit opinion and also restore our image in the community and our stakeholders at large.

Today's exercise and its outcome will assist the Council to take step back and assess the state of affairs in the institution and will also assist the Council to adopt/reject or defer the presented Draft Annual Report.

## LEGAL FRAME WORK

The annual oversight report is compiled in terms of Section 129 (1) of the Municipal Finance Management Act, No. 56 of 2003 which reads as follows: “ *The council of a municipality must consider the annual report of the municipality and of any municipality 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 rejected the annual report
- c) Has referred the annual report back for revision of those components that can be revised”.

Section 129 of the Municipal Finance Management Act requires a municipality to prepare an oversight report over the annual report and to publish the same. In addition, circulars 11; 32; 63 issued by National Treasury provide guidelines to municipalities on compliance with the above legislation.

### **FUNCTIONS AND PURPOSE OF MPAC**

The main purpose of the MPAC is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality.

Council is vested with the responsibility to oversee the performance of their respective municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). This oversight responsibility of council is particularly important for the process of considering annual reports.

The MFMA and MSA recognise that council has a critical role to play to ensure better performance by municipal departments and entities. There now exists an explicit linkage between the strategic goals, set by council through the IDP, which are translated into the budget, and the delivery of those goals, which is reported in the Annual Report. It is important for council to ensure that the budget gives effect or expression to priorities contained in the IDP.

A good budget will lay a basis for better oversight and cement the contracts between the executive/council, the administration and the public.

The MFMA gives effect to financial management reforms that place greater service delivery responsibilities on managers and makes them more accountable for performance. Whilst, in the first instance it is left to the Mayor or the Executive Committee to resolve any performance failures.

Ultimately the council is vested with the power and responsibility to oversee both the executive and administration. Oversight occurs at various levels in a municipality and is explained in the following table:

**Financial governance framework applicable to local government**

	<b>Responsible for</b>	<b>Oversight over</b>	<b>Accountable to</b>
<b>Council</b>	Approving policy and budget	Executive Mayor or Committee	Community
<b>Executive Mayor or Committee</b>	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
<b>Municipal Manager</b>	Outputs and implementation	The Administration	Executive Mayor or Committee
<b>Chief Financial Officer and Senior Managers</b>	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

# OVERSIGHT REPORT ON ANNUAL REPORT FINANCIAL YEAR 2013/2014.

## PURPOSE OF THE REPORT

To consider the municipality's Annual Report for the financial year 2013/2014 and to adopt an Oversight Report containing Councils comments on the annual report in terms of Section 129 (1) of the Local Government: Municipal Finance Management Act 56 of 2003 (herein after indicated as MFMA).

## BACKGROUND

Annual report is a key reporting instrument for a municipality. It is meant to be a backward- looking document focusing on performance in the financial year that has just ended. Annual Report must demonstrate how the budget was implemented and also the results of service delivery operations for that financial year.

In Short its purpose is to provide credible record of activities of the municipality such as:-

- To provide a report on performance in service delivery and against the budget.
- To provide information that supports the revenue and expenditure decisions made.
- To promote accountability to local community for decisions made.

When tabled, the annual report should include four main components, each of which has an important function in promoting governance and accountability. The main components are:

- The annual performance report as required by section 46 of the MSA.
- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
- The Auditor-General's audit report on performance in terms of section 45(b) of the MSA.

Other components required to be included in the annual report are set out in the MFMA section 121 and the MFMA Circular No 11 issued 14 January 2005.

The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual

reports of its municipality and municipal entities and to adopt an “oversight report” containing the council’s comments on each annual report.

The oversight report must include a statement whether the council:

- has approved the annual report, with or without reservations;
- has rejected the annual report; or
- has referred the annual report back for revision of those components that can be revised.

This submission of the oversight report of the Municipal Public Accounts Committee compiled in terms of Sec 129 (1) MFMA act no 56 of 2003 is to assist the Council to take step back and assess the state of affairs in the institution and also assist the Council to adopt the oversight report.

MPAC considered the 2013/14 Draft Annual Report of Vhembe District Municipality which was tabled before Council on the 31<sup>st</sup> of January 2015.

The Committee has deliberated on the following concerns and recommendations emanating from the Draft Annual Report as well as from the questions and responses from the Public Hearing held on the 17<sup>th</sup> March 2015:-

#### **A. CONCERNS**

- i. The state of the district is critical. Performance of financial year 2013/14 reflects ill-discipline in the institution.
- ii. That the internal control systems; financial management and compliance of laws and regulations is lacking and not complied with.
- iii. Work ethics such as accountability and accuracy are not adhered too. No commitment.
- iv. e.i. the responses received from management with regards to questions 5.11 -5.13. *“The difference was due to the system error on caseware”*. Responses such as this do not justify the expenditure or the action.
- v. Anomalies actions are not accounted for.
- vi. Public participation with regards to annual report is not enough or not visible.

#### **B. RECOMMENDATIONS**

- i. Repeat findings to come to an end. An action plan to be reviewed and clearly state what corrective measures will be taken and persons to be held accountable.
- ii. An Action Plan task team to be formed so to monitor the implementation thereof, to be composed of PMT and Management.

- iii. Auditor General's comments to be taken serious; implemented and adhered too.
- iv. Policies to be reviewed
- v. Reports of all departments to be reflected on the Annual Report.
- vi. Financial reports to be backed by supporting documents e.i. Grants roll over to be accompanied by applications and the concurrence thereof.
- vii. Leasing method of ICT to be reviewed and benchmarked.
- viii. Internal control systems of each department to be clearly documented and communicated to employees.
- ix. Council Resolutions to be monitored and implemented.
- x. Public as stakeholders of the institution to be fully engaged.
- xi. To promote improvement in the performance of the municipality it is strongly recommended that Council reward performance in a manner that is appropriate with achievement of policy outcomes. Therefore, the payment of performance bonuses should be measurable with the extent of the outcomes achieved. Where reservations exists, the seriousness of such should be taken into account before considering any part-payment of bonuses.

**We as oversight committee having fully considered the 2013/14 Draft Annual Report of Vhembe District Municipality recommend:**

- **That the Oversight Report be adopted**
- **That the Draft Annual Report be adopted with reservations so that the above mentioned concerns and recommendations are achieved and monitored closely.**
- **That the Council NOTE the concerns and resolutions corrective actions are implemented.**
- **That the Council NOTE MPAC questions and responses from management of the Annual Report.**
- **That the Council should encourage teamwork between Executive and Administration to fully discharge performance objectives and increase accountability on decisions and actions taken.**
- **That the Council reviews the action plan and form a task team that will develop a strong recovery plan and also**

**monitors the implementation of such, so the district can move from disclaimer to unqualified audit opinion.**

- **That the oversight report of Vhembe District Municipality be submitted to provincial legislature in accordance with Section 132(2) of the Municipality Finance Management Act, 56 of 2003, only once a strong recovery plan is in place.**

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**VHEMBE DISTRICT MUNICIPALITY  
MPAC CHAIRPERSON  
CLLR: MAHASELA M.C.**

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**DATE**

## SCHEDULE OF ACTIVITIES LEADING TO OVERSIGHT REPORT

NO	DESCRIPTION	DATE	STATUS
	<b>MPAC MEETING</b>	<b>12 Feb 2015</b>	<b>Done</b>
	<b>MPAC MEETING</b>	<b>02 March 2015</b>	<b>Done</b>
	<b>MPAC MEETING</b>	<b>10 March 2015</b>	<b>Done</b>
	<b>Questions to EXCO</b>	<b>10 March 2015</b>	<b>Done</b>
	<b>Invitations and Notices</b>	<b>10 March 2015</b>	<b>Done</b>
	<b>Community Radio Announcements</b>	<b>10 March 2015</b>	<b>Done</b>
	<b>Public Hearing</b>	<b>17 March 2015</b>	<b>Done</b>
	<b>Responses from EXCO</b>	<b>19<sup>th</sup> /26<sup>th</sup>/ 30<sup>th</sup> March 2015</b>	<b>Received</b>
	<b>MPAC MEETING</b>	<b>27<sup>th</sup> March 2015</b>	<b>Done</b>
	<b>Council</b>	<b>31<sup>st</sup> March 2015</b>	<b>Done</b>

