

OVERSIGHT REPORT OF THE MUNICIPAL COUNCIL OF THABAZIMBI MUNICIPALITY FOR THE FINANCIAL YEAR 2013/14



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- **INTRODUCTION**

Section 129 (1) of the Municipal Finance Management Act (MFMA) 56 OF 2003 states that the Council of the 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 a statement whether the Council:

- a) Has accepted 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.

The MPAC was mandated by Council to submit a draft oversight report to Council after having analysed the annual report tabled by the Mayor in Council on 30 January 2015 and MPAC Chairperson hereby tables the draft oversight report for Council to consider and resolve.

- **COMPOSITION OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)**

MPAC is composed of the following members:

- Cllr A.R Ramogale Chairperson
- Cllr D.A Moatshe Member
- Cllr K.R Mokwena Member
- Cllr R.C du Preez Member
- Cllr B.N Maguga Member
- Cllr F Loots Member
- Cllr S.C Sikwane Member
- Cllr S.A Khumalo Member

- **METHODOLOGY**

MPAC conducted the following activities as part of considering the annual report:

DATE	ACTIVITY
23 March 2015	MPAC to discuss Annual Report
22 January 2015	MPAC visits identified projects
23 March 2015	Management responded to MPAC in the meeting
18 March 2015	MPAC attended stakeholders meeting with the mayor on the annual report
25 March 2015	MPAC draft and adopts oversight report

On the 23 March 2015 MPAC held a meeting in which it reviewed and analysed the annual report and asked questions which were answered by the AO and acting CFO.

Attached are the minutes of the meeting held with acting Municipal Manager and acting Chief Financial officer held on the 23rd March 2015.

MPAC did not receive inputs from community members and the circumstances which led thereto are unknown to MPAC. MPAC expected inputs and comments from the community through the office of the AO but never received any such inputs and comments.

On 22 January 2015 MPAC visited the following projects with a view to determine their status at that time:

- Thabazimbi Waste Water Treatment Plant
- Thabazimbi Upgrading of Pumpstation and Pipeline phase 2 & 3
- Sewerage pond at Acacia park

On 22 January 2015 MPAC attended stakeholders meeting convened by the Mayor where it was agreed that stakeholders will submit their inputs and comments on the annual report. Upon enquiry from the Mayor on whether the written inputs and comments were submitted to her office it was discovered that there not submitted. MPAC therefor has not received and considered any community inputs and comments because there was none to consider.

When MPAC visited the three projects identified here above, the following observations were made:

- No construction work was carried out by the time of the visit and a lot of the steel material on site is damaged and will have to be replaced, the work that have been carried out will have to be redone.
- At the Thabazimbi upgrading of pump station and pipeline phase 2 and 3 project about 80% of the construction work was completed. There is a need for the access road to the reservoir to enable the contractor to complete the project
- At the Acacia Park the project is functioning and well maintained but it is not connected to the sewerage system.

• **RESPONSIBILITY OF THE MAYOR**

Section 127(2) of MFMA states that the Mayor of the Municipality must, within seven months after the end of a financial year, table in a Municipal Council the annual report of the Municipality and of any Municipal entity under the Municipal's sole or shared control. The Mayor complied with this provision of the Act.

The annual report tabled by the Mayor included the following components as provided for under section 121(3) of the MFMA:

- The annual performance report of the Municipality prepared in terms of section 46 of Municipal Systems Act.

- Annual financial statement of the Municipality
- AG audit report on AFS
- AG audit report on annual performance report
- Audit action plan

The annual report tabled by the Mayor did not include other components as provided for in section 121 of MFMA.

- **RESPONSIBILITY OF THE ACCOUNTING OFFICER (AO)**

The AO complied with the provisions of section 127(5) of the MFMA by placing the annual report on the municipal website and advertised it in the national newspapers requesting the local community to submit representation on annual report.

- **FINANCIAL MATTERS**

- **6.1 ANNUAL FINANCIAL STATEMENTS (AFS)**

- The AO did not comply with the provision of section 126(1)(a) of the MFMA in that the AFS of the Municipality was prepared and submitted to the AG after two months after the end of Financial year 2013/14. The reason for non-compliance is that the service provider who was appointed to compile a GRAB compliant asset register had not completed the work. The Accounting officer applied for extension of time and the AG approved it.

- **6.2 AN ASSESSMENT BY THE AO ON ARREARS**

- The AO has provided an assessment or report of the Municipality's performance against measurable performance objectives for revenue collection from each revenue source and expenditure for each vote in the approved budget as required by section 121(3)(f) of MFMA.

The performance of the Municipality on revenue and debt collection was below the planned targets. The municipal council must ensure that the revenue and debt collection rate is improved.

- **6.3 PARTICULARS OF CORRECTIVE ACTIONS IN RESPECT OF ISSUES RAISED BY AUDITOR GENERAL (AG)**

The annual report contained particulars of corrective actions taken or to be taken in response to issues raised by the AG in 2012/13 audit reports which are:

- PPE-Assets not properly valued
- Statement of changes in assets
- Expenditure
- Debt Impairment

- Irregular expenditure
- Distribution losses
- Aggregation/Accumulation of immaterial uncorrected misstatement
- Revenue

The audit qualifications arose primarily as a result of failure to submit information and/or documents requested by the AG.

6.4 AN ASSESSMENT BY THE AO ON MUNICIPAL PERFORMANCE

The annual report provides details about the extent to which planned objectives and targets as contained in the SDBIP's were achieved.

6.5 RECOMMENDATIONS BY THE AUDIT COMMITTEE (AC)

Attached hereto are the minutes of the audit committee meeting

6.6. ALLOCATIONS RECEIVED AND MADE

The AG audit report does not raise issues on the correctness of the allocations received in terms of DORA as disclosed in the AFS. It should be noted there has been a little MIG allocation to the municipality because of what happened in the previous financial year 2012/2013. Council should take note that conditional grants amounting to R18 million rand were unspent.

6.7. CREDITORS OF THE MUNICIPALITY

The creditors of Municipality increased from R113 451 909 in 2012/13 to R207 151 611 in 2013/14 financial year, which represent 82.6% increase. There is a need to monitor the Municipality's inability to service creditors and the creditors payment period. MPAC was not informed about the extent to which the creditors balanced was reduced in the current financial year, but council need to be updated regularly on this matter.

6.8 DISCLOSURES IN NOTES TO AFS

The annual report does not have information on how the arrears owed by five Councillors to the Municipality for rates and taxes, which were more than 90 days old on 30 June 2014 were dealt with.

The contribution loss in respect of water and electricity increased from **R26 408 848** in 2013 to **R30 152 818** in 2014.

7. MUNICIPAL PERFORMANCE

7.1 AUDIT REPORTS ON PERFORMANCE

The AR contains particulars of corrective actions taken or to be taken to act upon the recommendations from internal audit unit and audit committee as part of the program of improving performance in 2013/14.

7.2 DONOR FUNDING SUPPORT

The donations from mines are disclosed as R1 2 million rands which represent a big drop in the donations. There is a need for the Council through the Mayor to intensify the engagement with the mines.

7.3. OVERALL CAPITAL AND OPERATIONAL PERFORMANCE OF THE MUNICIPALITY

- **Northam Waste Water Treatment Plant**
Project incomplete
Contractor not on site (now for more than twelve months)
- **Thabazimbi Waste Water Treatment Plant**
Project incomplete
Contractor not on site (now for more than twelve months)
- **Regorogile ext 6 & 7: Construction of Water and Sewer Reticulation Network**
Project incomplete (contractor not on site for more than 24 months)

7.4. PRIVATE-PUBLIC PARTNERSHIP

MPAC is not aware of any partnership agreement signed.

7.5 LONG TERM CONTRACTS

The annual report does not contain any details of long term contracts including levels of liability of the Municipality.

7.6. IMPLEMENTATION OF COUNCIL RESOLUTIONS

MPAC observed that certain resolutions are not implemented or implemented late. E.g.: Placement of the Researcher.

8. RECOMMENDATIONS

- 8.1 Council adopts the oversight report and accepts the annual report with reservations as outlined in the report.
- 8.2 Council investigates the circumstances which led to the failure to submit documents and/or information to the AG.
- 8.3 The Mayor should indicate to Council the reasons why other components are not contained in the annual report.
- 8.4 The existing of the current meter reading contract should not be renewed and the municipality should use the internal employees to do the work as it is permanent work.
- 8.5 There should be a regular inspection to detect the illegal connections to electricity and water networks.
- 8.6 Debtors, water and electricity losses as well as creditors should be the standing item on council meetings.
- 8.7 Municipal Manager's reports should also be a standing item on council meetings.
- 8.8 Municipal manager must present to council the report on the implementation of council resolutions taken on a quarterly basis.
- 8.9 All donations in cash or kind must be reported t council within two months.
- 8.10 MPAC to investigate the irregular, unauthorised as well as fruitless and wasteful expenditure and report back to council on or before 31st May 2015. These investigations should cover the financial year 2013/14 and relevant preceding years.
- 8.11 Council consider the recommendations of the MPAC.

MPAC CHAIRPERSON

DATE

SPEAKER

DATE