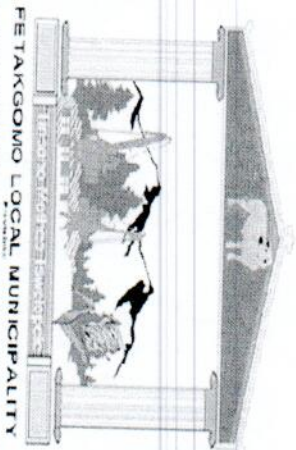


FETAKGOMO LOCAL MUNICIPALITY



MPAC OVERSIGHT REPORT ON DRAFT ANNUAL REPORT

1. Introduction

In terms of the Municipal Finance Management Act and the Municipal Systems Act, Municipalities must prepare an Annual Report for each financial year. The purpose of the annual report is to:

- Provide a record of the activities of the municipality.
- Provide a report on performance in service delivery and against the budget.
- Provide an information that support the revenue and expenditure decisions made; and
- Promote accountability to the local community for decisions made.

The 2013/2014 Draft Annual Report sc 09/2014 was tabled in council on 19th December 2014 at council chamber [Fetakgomo Local Municipality]

The final step in the reporting process is for council to consider the Annual Report in the light of the findings contained in an Oversight Report. The oversight report must be compiled by Non-Executive Councillors (municipal public accounts committee) and members of the community as it represents a separation of powers between the Executive and Legislative arm of Council and is aimed at enhancing accountability and practicing good governance.

2. Legislative mandate for the Oversight Report.

Section 129 (1) of the Municipal Finance Management Act (Act no 56 of 2003) states that the council of the Municipality must consider the Annual Report of the Municipality and by no later than two months from the date on which the Annual Report was table in the Council, adopt an Oversight Report containing the council's comments on the Annual Report.

3. The composition of MPAC.

The National Treasury: MFMA Circular (National Treasury issued Circular No.32 of 15 March 2006) expresses appreciation of the difficulties that could be experienced in trying to discuss Annual report within full council meetings. It thus recommends that the Council considers the constitution of an Oversight Committee herein referred as Municipal Public Accounts Committee as provided for in terms of section 129(4) of the MFMA, to discuss the Annual Report leading to the adoption of the oversight report.

The Council of Fetakgomo Local Municipality had established the Municipal Public Accounts Committee (MPAC) by way of resolution to consider and evaluate the content of the quarterly and annual reports and advise the council for adoption.

Council recognizes that it has the responsibility to oversee the performance of the municipality as contained in the legal statutes such as the Constitution, Municipal Finance Management Act (MFMA) and Municipal System Act (MSA). These legislation prescripts recognise that council has a critical role to play to ensure better performance by municipal departments and its entity. There is now a linkage between the strategic goals, set by council through the integrated development plan (IDP), which are translated into the budget, and the delivery of those goals, which is reported in the annual report. The Council meeting of the 31 May 2011 established the MPAC as a mechanism to enable all councillors and public to fully digest and discuss the annual report contents.

With reference to National Treasury: MFMA Circular No. 32 of 15 March 2006, the role of the MPAC is to analyse and review quarterly and annual reports in detail and recommend to Council on whether to adopt or reject the quarterly or annual report, Key to this role is ensuring that the executive and administrative are held accountable for their action and performance of the entire municipality.

Due to re-structuring of the council committees that had occurred in the past, now MPAC is made-up of the five non-executive Council as indicated in the table below.

NAME OF THE COMMITTEE MEMBERS	DESIGNATION
Moswane M.W	MPAC Chairperson
Phasha M.J	Member
Mathipa M.H	Member
Manala R.E	Member
Mosoane M.D	Member

4. COMMENTS ON THE ANNUAL REPORT.

The requirements for the Annual Report as set out in the various Acts, together with an indication of the level of compliance are set out below

4.1 Municipal finance Management Act

Legislative requirement	Level of compliance
a) The Annual financial statements are compliant with the generally accepted	Non-compliant.

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municipal accounting practices (GRAP)	
b) The Auditor-General's Report is to be included in the Annual Report.	compliant
c) Explanation to be included that are necessary to clarify issues in connection with the financial statements	Non-compliant
d) As assessment on arrears on municipal taxes and services charges to be included	Non-compliant
e) Corrective action taken or to be taken in responses to issues raised in the audit reports	Non-compliant

4.2 Municipal Systems act- Municipal Performance

Legislative requirement	Level of compliance
a) Has the performance report included in the Annual Report?	been compliant
b) Have all the performance targets been included in the report?	compliant
c) Does the performance evaluation in the Annual Report compare actual with planned performance?	compliant
f) Are the council and the community satisfied with the performance?	Community is partly satisfied with the performance of the FTM with regard to high mast light and street light which was raised

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	during public participation.
g) What action have been taken and planned to improve performance?	No correct measures were put in place to improve performance despite Audit action plan that is developed and under implementation the committee is not fully satisfied.
j) Taking into account the audit Report and opinion and the views of the audit committee, is performance considered to be efficient and effective?	The performance is ineffective and inefficient due to lack of forward planning, monitoring including internal control deficiencies.

4.3 Division of Revenue act

a) the Annual Report to disclose: <ul style="list-style-type: none"> • Details of conditional grants received from national and provincial spheres; • Details of conditional grants received from other municipalities; and • Details of grants made to any organs of state. 	Compliant
b) The extent to which the conditions of the grants were met?	non-Compliant
c) Information relating to outstanding debtors and creditors of the Municipality.	Non-Compliant
d) Information relating to the benefits paid to councillors, Managers and officials	Non-compliant

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5. RESOLUTIONS OF THE BRIEFING MEETING HELD WITH AG SA.

THE MEETING RESOLVED:

- ❖ That the assets worth less than R1000.00 must not be included in the assets register, and be documented under a separate register.
- ❖ That it must be in the Municipal Assets Policy that such assets are covered under a separate assets register.
- ❖ That Mini assets verification register must be developed and adhered to by all managers.
- ❖ That the Budget and Treasury portfolio Committee extends its scope of work and deal with review of monthly assets reports.
- ❖ That there is a need to have process to monitor the property if is still in good condition.
- ❖ That CFO should assist the consultants and monitor their work.
- ❖ That CFO should provide the consultants with all required/necessary information.
- ❖ That performance management and monitoring of consultants must be implemented
- ❖ That effective measures to monitor the transfer of skills should be in place and evaluation of consultants work must be performed to obtain the value for money by comparing the consultants services rendered and deliverable to the initial project objectives and needs.
- ❖ That requirement for the transfer of skills should be included in the terms of reference prior to the signing of contract.
- ❖ That CFO, MM and other Managers must be involved in the work of the consultants in monitoring and reviewing their performance on monthly basis
- ❖ That CFO should personally do AFS and utilise consultants for review as that will minimise costs.
- ❖ That Chief traffic officer must have record of all the traffic fines books: issued, in store and those that are completed.
- ❖ That process must be back-dated from 2012/13 financial year.

6. PROPERTY RATES/ REVENUE COLLECTION

- ❖ That the Municipality should go back and analyse the payment record.
- ❖ Analyses should be done independently for: Households, Business and Government institutions.
- ❖ That management should develop assets management strategy and submit it to the Council.

7. INPUTS BY AC:

- ❖ It was resolved that when finalizing the Annual report circular 63 must be checked as a guideline for developing the report.
- ❖ Management to bring circular 63 to the attention of the council.

- ❖ It was resolved that MPAC should get the Audit Committee Comments before the finalization of the report
- ❖ To raise the issue of none compliance to the accounting officer and the speaker.
(FOR DETAILED REPORT REFER TO ANNEXTURE A: AUDIT COMMITTEE OVERSIGHT REPORT)

8. INPUTS BY COMMUNITY:

- ❖ Non functionality of High Mast lights.
- ❖ Complaints about centralisation of street light, e.g. Apel Node only
- ❖ New developments seem to be directed in certain areas e.g. Ga-Nkoana.
- ❖ Ward eleven complain of not having enough information regarding hiring of EPWP workers at their ward.
- ❖ People had different views about the new proposed Municipal Logo which were presented to them and asked why the sudden change of the old Logo.

9. GENERAL COMMENTS

- ❖ The Committee acted upon given information as the annual reports were presented to council and also reflected on the responses provided by the management on issues raised by the Auditor-General in the audit report, the committee further looked at the financial statements for Fetakgomo Local Municipality. The responses provided by the management when responding to the queries raised by the Auditor-General in the audit report were partly satisfactory. Nonetheless, The Committee is disappointed by the receiving of a disclaimer opinion from the Auditor-General's report.
- ❖ The Committee noted that there is a delay in providing requested information to the Committee. The Committee further noted that there no synergy between the committee charged with responsibilities of governance. The Committee noted that there is audit action plan developed but however not satisfied with implementation to address internal control deficiencies.
- ❖ The committee further noted that the AFS is not submitted to both Audit Committee and MPAC review before submitted to Auditor-General.
- ❖ The committee noted that there are numerous material misstatements in the AFS.

10. COMMITTEE FINDINGS AND RECOMMENDATIONS.

Performance Area	Resource	Issue	Recommendation
Human Management		<ul style="list-style-type: none"> ➤ Creation of Assets Manager post ➤ Inadequate administrative support for MPAC ➤ Inadequate time 	<ul style="list-style-type: none"> ➤ Need for Assets Manager ➤ Committee recommend that it should be provided with consistent administrative support. ➤ MPAC Chairperson should be full time.

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Record management	<ul style="list-style-type: none"> ➤ Lack of regular record management 	<ul style="list-style-type: none"> ➤ The should be daily filling to complete, relevant and accurate information
Financial viability	<ul style="list-style-type: none"> ➤ The committee observes a huge improvement made by BTO to address areas lifted in the Auditor-General's report. Root causes of Disclaimer Opinion <ul style="list-style-type: none"> - Slow Response by leadership - Lack of competence and skills - Lack of consequential measures for poor performance and transgressions. 	<ul style="list-style-type: none"> ➤ That the interventions are required such as staff training, improvement of internal controls/ systems in order to respond to some of the challenges identified by AG. The SCM variances should be attended to and Procurement Plan adhered to in order to obviate deviations. The quarterly reports on the implementation of this strategy should be submitted to the committee.
Daily, weekly and monthly reconciliations	<ul style="list-style-type: none"> ➤ Preparation of daily, weekly and monthly reconciliations 	<ul style="list-style-type: none"> ➤ All accounts should be reconciled and signed off as evidence of review by the CFO and a monthly reconciliation file should be prepared. The file should also have supporting documentation for all the reconciliations.
Month-end reporting	<ul style="list-style-type: none"> ➤ Monthly closed off process 	<ul style="list-style-type: none"> ➤ The Accounting Officer must develop a process where there is a cut-off process on when the system closes off and a time period to finalise month-end reporting. ➤ The quarterly reports on the implementation of this strategy should be submitted to the committee.
Annual Financial Statements (AFS)	<ul style="list-style-type: none"> ➤ Preparation of monthly AFS 	<ul style="list-style-type: none"> ➤ Once the system has been closed off and all the reconciliations have been performed and all journal adjustments processed, monthly AFS should be prepared. The AFS should be prepared as per the requirements of GRAP.
Submission of AFS for compliance	<ul style="list-style-type: none"> ➤ AFS submission to oversight structures 	<ul style="list-style-type: none"> ➤ AFS must then be submitted with the reporting file containing all adjustments and reconciliations.
Contract management	<ul style="list-style-type: none"> ➤ The Project Management Unit is functional, but deadlines of procurement plan are not met by the user-department. 	<ul style="list-style-type: none"> ➤ That the Project Management Unit should be staffed and the department of IDMS should adhere to the procurement plan. ➤ The contract management should be closely monitored in order to detect poor performance of service providers on

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		<ul style="list-style-type: none"> ➤ sites and avoid unnecessary delays for completion of projects against the agreed upon timeframes. ➤ The service Providers contracted by the ANDM should produce Completion Certificates from the previous employer or municipality as a prerequisite for competence and good standing. ➤ The payment Certificates for contractors should provide a space for approval by PSC chairperson and the Ward Councillor and no payment should be affected without the approval of the said signatories. ➤ The quarterly reports on the implementation of this strategy should be submitted to the committee. ➤ That a policy should be developed to regulate write-offs by the Council ➤ This policy will assist the Council as guiding internal control and introduces the best practices of deciding on write-offs inline accepted processes and regulations.
Write-Offs	<ul style="list-style-type: none"> ➤ The Council does not have a policy that regulates the write-offs 	<ul style="list-style-type: none"> ➤ That all structures of Council should play their oversight responsibility ➤ That Standing Committee should be convened an monthly basis in order to go through monthly reports and provide corrective measures where possible. ➤ The Internal Audit Unit should be staffed and skilled in order to be able to undertake its audits in a way that will ensure reliance by the AG on the internal controls. ➤ The quarterly reports on the implementation of this strategy should be submitted to the committee.
Effective Leadership	<ul style="list-style-type: none"> ➤ The executive of the ANDM and ANDA Board did not exercise the required oversight responsibility to ensure compliance with law and regulations 	<ul style="list-style-type: none"> ➤ That oversight is all inclusive responsibility, and every structure of the Council should play oversight. ➤ That the administration and executive should adhere to MFMA calendar and comply thereof.
Oversight Responsibility	<ul style="list-style-type: none"> ➤ The committee observed that the Council structures are not playing their oversight role as required by the legislation. 	<ul style="list-style-type: none"> ➤ MPAC and Audit Committee should at least four sittings per financial year to consider quarterly and annual financial
Joint sitting	<ul style="list-style-type: none"> ➤ MPAC and Audit Committee sittings 	

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statement and Auditor-General's report.			

It is further RECOMMENDED:

- ❖ That the council having fully considered the 2013/2014 Annual Report of Fetakgomo Local Municipality and comments thereon, adopts 2013/14 oversight reports in terms s129 (1) of the local government: Municipal Finance Management Act No.56 of 2003;
- ❖ That the Council approves 2013/14 annual reports in terms of Section 129 (1) (a) of the Local Government: Municipal Finance Management Act, No 56 of 2003 with reservations.
- ❖ That the oversight report of the FTM must be made public in terms of Section 129 (3) of the Local Government: Municipal Finance Management Act, No 56 of 2003.
- ❖ That the oversight report and Annual Report 2013/14 of FTM be submitted to the Provincial Treasury, COGHSTA and Provincial Legislature in terms of Section 132 (2) of the Local Government: Municipal Finance Management Act, No 56 of 2003.

Signed by: 

Clr Moswane M.W

MPAC Chairperson

Date: 24.03.2015

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