GREATER GIYANI MUNICIPALITY

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OFFICE OF THE MUNICIPALITY PUBLIC ACCOUNTS

OVERSIGHT REPORT ON ANNUAL REPORT: 2014/2015 FINANCIAL YEAR.

PURPOSE OF THE REPORT

To consider the Greater Giyani Municipality 's Annual Report for the 2014/2015 financial year and to adopt an Oversight report containing Council's comments on the Annual Report in terms of section 129(10) of Local Government: Municipal Finance Management Act,2003 (Act No.56 of 2003)(hereafter indicated as MFMA)

BACKGROUND

Legal requirements

Section 121(1)(2) and (3) of the MFMA determines as follows:

121(1) Every municipality must for each financial year prepare an Annual Report. The council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129.

The purpose of an annual report is:-

(a) To provide a record of the activities of the municipality during the financial year to which the report relates;
(b) To provide a report on performance against the budget of the municipality for the financial year; and
(c) To promote accountability to the local community for decisions made thought the year by the municipality.

The annual report of a municipality must include:-

(a) The annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section 126(1);
(b) The Auditor-General audit report in terms of section 126(3) on those financial statements;
(c) The annual performance report of the municipality in terms of section 46 of the Municipal Systems Act.

(d) The Auditor-General's audit report in terms of section 45(b) of Municipal Systems Act;
(e) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
(f) An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;
(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
(h) Any explanations that may be necessary to clarify issues in connection with financial statements;
(i) Any information as determined by the municipality;
(j) Any recommendation as determined by the municipality; and
(k) Any other information as may be prescribed.

In terms of section 127(5) of the MFMA, the Accounting Officer must immediately after the annual report is tabled, make public the annual report, invite the local community to submit representations in connection with the annual report and submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

According to section 129(a) of the MFMA, the Council must consider the annual report by no later than two months from the date on which the annual report was tabled, adopt an oversight report containing the Council's comments on the annual report which 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.

Process

(a) Submission and tabling of the Annual Report

The Annual Report of the Greater Giyani Municipality for the 2014/2015 financial year was tabled at a Scheduled Council Meeting, on the 29 January 2016, item 10.1, in terms of section 127(2) of the Local Government: Municipal Finance Management Act 56 of 2003.

Council resolved at its meeting held on 29 January 2016, item 10.1 the following:

UNANIMOUSLY RESOLVED: (presented by cllr Shimange M.I)

(1) That the tabling of the Annual Report be noted; and
(2) That the Acting Municipal Manager in terms of section 127(5) of the MFMA:
   (a) Make public the Annual Report for 2014/2015 financial year;

(b) Invites the local community and Councillors to submit representations in connection with the Annual Report on or before 28 February 2016;

(c) Submit the Annual report to the Auditor-General, the Provincial Treasury and the Provincial Department responsible for Local Government;

(3) That the Annual Report and Oversight report on 31 March 2016 be presented to council for consideration and adoption;

(4) That the Annual Report be referred to MPAC for oversight.

The Oversight Committee

With reference to MFMA Circular nr. 32 of 15 March 2006, MPAC analysed and reviewed the Annual Report in detail and generated questions to the Executive; ;((annax
(annexure A) and the Executive responded (annexure B); and held a public hearing on the 23 March 2016.

The Draft Annual Report was advertised as follows;

- The local community was invited via the press and website of the Greater Giyani Municipality to submit comments / objectives in connection with the Report on or before 28 february 2016.
- The Annual report was placed on the municipal website at www.greatergiyanimunicipality.gov.za
- The Annual Report was placed at the municipal offices
- The Annual report was submitted to all relevant government departments.

At the closing date for public comments on the 28 February 2016, no comments/representations were received.

SECTION 121(3) OF THE MFMA DETERMINES	COMMENT
(a) The Annual financial statements of the municipality, and in addition, if section 122(2) applies, the consolidated annual financial statements as submitted to the Auditor –General.	The Annual Financial Statements of the Municipality are included in the report at page 136 and the then Acting Municipal Manager, Mr RH Maluleke signed on 31 August 2015 in conjunction with Auditor General
(b) The Auditor-General's audit report is included in the annual report in terms of section 126(3) on those financial statements	The Auditor-General's report is included in the annual report at page 222 . the committee noted the improvement from past years, its view is that we can do better than this,

(c)	The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act	The report is at page 36(chapter 3) although additional information is needed, like the number of epwp projects and jobs created and number of houses implemented; it received a qualified audit opinion.
(d)	An assessment by the Accounting Officer on any arrears on municipal taxes and service charges;	We need effective systems of expenditure control and reasonable steps to prevent irregular expenditure and fruitless and wasteful expenditure,
(e)	An assessment on asset management, as required by section 63(2)(a) of the MFMA	We noted that the municipality failed to account for all its assets, we had hired consultants to do this but material misstatements were still identified
(f)	Allocations received and made to the municipality	It should be noted that the municipality's functionality depends largely on grants; (LGSETA,PSETA,MSIG,EPWP,FMG,Equitable shares and Capital grants-MDRG,INEG,MIG)
(g)	Information in relation to the use of allocations received;	It should be noted we spent 100% grant on MIG but we failed to utilise MSIG, MDRG and INEG
(h)	Information in relation to outstanding debtors and creditors of the municipality	It should be noted that there are ongoing engagements with national and provincial departments, but there is a national concern on growing culture of non payment by our communities;
(i)	Information relating to benefits paid by municipality to councilors, directors and officials	It should be noted that the information has been properly disclosed, and explanations provided are acceptable and conditions of allocations have been met, that there are arrears owed by individual councillors to the municipality, and their names are on page 209.
(j)	Information on the annual performance reports of the municipality	The performance report has been included in the annual report, as a local municipality we are a Water Services Provider, there is a huge backlog of refuse removal service extension to rural communities, the powers and functions for the provision and construction of housing lies with provincial government, there is free basic services and indigent support, there is slowly increasing progress on road construction, there is a 48% vacancy rate, there is an alignment of IDP and Budget, of 146 KPAs 20 were not achieved,
(k)	Audit reports on performance(section	The EMPPI requires the municipality to have appropriate systems to collect, collate, verify

	45,MSA)	and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets, we lack standard operating procedures or documented systems descriptions.
(l)	Audit report on leadership	Municipal leadership did not exercise oversight responsibility on financial and performance reporting and compliance and related internal controls, the municipality is not adequately and sufficiently skilled

RECOMMENDATIONS BY MPAC COMMITTEE

- Municipality must strengthen the processes to create and sustain a control environment that supports reliable financial reporting.
- Action plans to address external audit and internal audit findings immediately after the audit is concluded.
- Management should identify the root cause of material misstatements identified during the audit and ensure that adequate and immediate action is taken to address them.
- Management must document processes for identifying, collating and verifying performance information, clearly documenting officials responsible for each aspect.
- MPAC should investigate all instances of unauthorized, irregular and fruitless and wasteful expenditure timeously to identify the responsible person, and there should be consequences for incurring this type of expenditure.
- Management should consider all contracts found to be irregular to determine whether these contracts can be cancelled and new procurement processes followed.
- Management to make sure that all planned targets in the SDBIP are achieved per KPA
- Management to develop a realistic procurement plan and forward planning to be developed and implemented.
- The municipal organizational structure to be realistic and all funded positions to be filled
- Management to develop a proper plan to spend all allocated grants and those from our on funding and fully implement it
- All outdated by-laws to be reviewed

Accordingly, MPAC requests council to;

- Approve the oversight report with recommendations
- That the Annual Report 2014/2015 be approved with reservations
- That the 2014/2015 Oversight Report of the Greater Giyani Municipality be made public in terms of section 129(3) of the MFMA, and;
- That the Oversight Report and Annual Report 2014/2015 be submitted to Provincial Legislature in terms of section 132(2) of the MFMA.

MPAC CHAIRPERSON

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OFFICE OF THE MUNICIPAL MANAGER

B

RESPONSES TO MUNICIPAL PUBLIC ACCOUNTS (MPAC) QUESTIONS

2014/15 ANNUAL REPORT

1. THE POPULATION IS DECLINING DUE TO MIGRATION TO URBAN AREAS

- **What is the municipality doing to improve working conditions?**

✓ *The municipality is currently building economic infrastructure that will ensure the economic growth and economy creates jobs for local communities.*

✓ *The municipality has recently signed MOU with Mabunda Traditional to release land for residential and business development.*

✓ *The proposed Masingita Mall will also assist in the creation of jobs opportunities for Local people.*

- **How did we get an additional ward with declining?**

✓ *The reason for the additional ward is due to the high number of young people registering to vote.*

✓ *The reason for population decline is that people migrate to other areas seeking employment and better living conditions, but they remain registered voters in their particular wards.*

2. ENVIRONMENTAL OVERVIEW

- **What I the cause of illegal occupation.**

✓ *Take note that there two types of illegal occupation happening within Greater Giyani Municipality.*

✓ *The first one is happening in town (proclaimed area) and the cause is that the municipality is under staff in the building inspectorate unit, which makes it difficult to monitor all illegal development and occupation.*

✓ *The second illegal occupation is happening in the rural areas which some of them are very close to the town, the cause is that the local Authorities are giving away land to the individuals without the following proper Land-use process.*

- **What is the impact of spatial planning in zoning and rezoning of human settlements?**

✓ *The role is to ensure proper Land-use management and that all relevant legislation and Land-use schemes are properly implemented.*

3. SERVICE DELIVERY OVERVIEW
    - ➢ **What is service delivery overview because this paragraph is a repetition of environmental overview?**

✓ *It will be corrected in the final annual report, it was an oversight.*

- ➢ **What is the real overview of both environmental and service delivery overview?**
- ✓ *Environmental overview is correctly captured in the Draft Annual Report.*

4. FINANCIAL HEALTH OVERVIEW
    - ➢ **What has been the strategy to sustain MIG spending to ensure continual achievement?**
    - ✓ *The strategy used is forward planning that the municipality was implementing and will continue to use the same strategy going forward.*

5. ORGANIZATIONAL DEVELOPMENT OVERVIEW
    - ➢ **Did the Municipal Manager go through this document, what is your understanding?**
    - ✓ *The information missing was the vacancy rate the document was sent to corporate services for the department to populate information. Information will be populated in the Final Annual Report.*
    - ➢ **What is the vacancy rate?**
    - ✓ *47,12%*

6. AUDITOR GENERAL REPORT

    We obtained qualified Audit Opinions in two consecutive years,
    - ➢ **What is management's view on these findings?**
    - ✓ *Management view and assessment is that the findings are being reduced from one year to another although remained in the same audit opinion. However, the issue of asset is the main one in our audit findings.*

7. EXECUTIVE COMMITTEE
    - ➢ **The photos are confusing us, who is the head of infrastructure Development, and Art and Culture?**
    - ✓ *The Head of Infrastructure is Cllr. Rikhotso A, Art and culture is Cllr. Manganyi K.A.*

8. BY-LAWS
    - ➢ **How are we doing on implementation of By-laws?**
    - ✓ *The Municipality is currently implementing its By-Laws, however majority of our By-Laws are under review.*
    - ➢ **What needs to be improved in case of some flaws?**
    - ✓ *We need to align the By-Laws with the National Legislations e.g. SPLUMA.*

9. HUMAN RESOURCE SERVICES
    - ➢ **There is a high vacancy rate in all departments, how is the municipality performing with such high shortage?**

- ✓ *The Municipality has embarked in the process of organizational structure reengineering (removing positions that are redundant).*

10. ANNUAL FINANCIAL STATEMENTS

- ➢ **What is the municipality doing with customers who are not paying traffic lines?**
- ✓ *The community services, through the traffic section, has embark on a campaign to ensure that traffic offenders are brought to books and that has bear fruit for the institution as we has seen an increase in collection.*
- ➢ **Who is cancelling fines without the municipality's knowledge?**
- ✓ *Department of Justice is responsible for cancelling of traffic fines issued.*
- ➢ **What is the management doing about it?**
- ✓ *Management is in the process of engaging Department of Justice with regard to this matter.*
- ➢ **How does the management justify the use of seven (7) bank accounts?**
- ✓ *Section 8 of the MFMA allows us to have more than one bank account. One of them has been nominated as the primary bank account. Other bank accounts referred to in the document are an investment which is in terms investment policy of the institution.*
- ➢ **As much as we doing well with MIG, why did we fail to spend with MSIG, MDRG, and INEG?**
  - ✓ *Municipal System Improvement Grant (MSIG), is meant for systems improvement e.g. Valuation roll, in the year under review they was no supplementary valuation roll implemented.*
  - ✓ *The challenge with Municipal Disaster Recovery Grant (MDRG) was that it was allocated towards the year end 2014/15 financial year hence it was rolled over to 2015/16; however the whole amount has been spent.*

- ➢ **How can councilors have arrear accounts when they are paid by municipality?**
- ✓ *Councilors are being informed to pay their accounts. The list as provided in the annual financial statements has been disclosed to comply with MFMA which states that they must be disclosed if at any time during the financial year the account has been in arrears for three months, whether up-to-date or not.*
- ➢ **Why are we taking long to clear legal disputes?**
- ✓ *Legal cases are by nature very complicated and sometimes they are determined by courts and the Municipality has no say on how the courts run their business; however the municipality is exploring ways and means to settle some of the cases out of court to ensure that we minimize unnecessary costs.*

AUDITOR GENERAL'S REPORT

1. PROPERTY, PLANT AND EQUIPMENT

- **Why did we fail to account for municipal land in accordance to SA standards of GRAP 17?**

✓ *Historical assets-The municipality does have supporting documents to confirm the value of land recorded in the municipal records.*

- **Why did the municipality fail to transfer completed projects to buildings and infrastructure?**

✓ *Technical Service issue a project completion certificate for registration of a completed project to Budget and Treasury at the Assets Division. This is only done once the project is complete.*

- **Who is the responsible person?**

✓ *Manager Assets*

- **What action will be taken to remedy the situation?**

✓ *Land audit is currently been performed by the municipality.*

✓ *Communication between Asset Management and Technical Services has been enhanced through monthly meetings between the two departments.*

2. REVENUE

- **Why did the municipality failing to reconcile on a monthly basis?**

✓ *The valuation roll and system should be reconciled on an annual basis not monthly.*

✓ *Lack of personnel is the contributing factor why the reconciliation was not performed.*

- **Who is the responsible official?**

✓ *The acting Revenue manager.*

- **What action will be taken to remedy the situation?**

✓ *Monthly pre-billing reports are reviews to resolved errors identified.*

✓ *Reconciliation between the valuation roll and system will be performed before year end.*

3. IRREGULAR EXPENDITURE

- **We noted the disclosure (note 37) of incurred irregular expenditure and additional findings by the Auditor General, please no that we will be doing our own investigation.**

✓ *As reported by MPAC, management will wait for the report and ensure that action is taken, if any, in terms of Section 32 of the MFMA.*

4. PROCUREMENT AND CONTRACT MANAGEMENT

- **Why was the performance of contractors not monitored as per act?**
  - ✓ *The section that was supposed to monitor contractors was under staffed; however during the year under review the Municipality was able to appoint a Senior Technician PMU to assist in the monitoring of the contractors.*
- **Who are the responsible officials?**
  - ✓ *PMU Section.*

- ➢ **What measures are in place to remedy the situation?**
- ✓ *Appointment of the additional staff as per Organizational Structure.*

5. LEADERSHIP

- ➢ **Why were there no oversight responsibility regarding financial and performance reporting and compliance and related internal controls?**
- ✓ *The management has developed the action plan that will respond to issues of compliance and strengthening internal controls.*
- ➢ **What is the Accounting Officer going to do to implement HR management effectively to ensure that adequate and sufficient skilled resources are in place?**
- ✓ *The reengineering of the organizational structure will ensure that critical skills are prioritizing for appointments in the next financial year.*
- ➢ **Why were financial statements and other information not reviewed for accuracy and completeness by the Accounting Officer in the annual report?**
- ✓ *The management has developed systems and procedures to ensure that financial statements are reviewed by the Accounting Officer before submission to AG.*
- ➢ **Why compliance with Laws and Regulations was not reviews and monitored by the Accounting Officer.**
- ✓ *The Accounting Officer has introduced Turnaround Plan with some deliverables to ensure that all Laws and Regulations are complied with.*

Coordinated and Compiled by Management.

MMaamano

MADIDIMALO CHAAMANO
ACTING MUNICPAL MANAGER

24/03/2016
DATE

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ATTENTION : MUNICIPAL MANAGER.

2014/2015 ANNUAL REPORT.

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   - What is the municipality doing to improve working conditions?
   - How did we get an additional ward with declining population?

2. Environmental overview.

   - what is the cause of illegal occupation?
   - what is the impact of spatial planning in zoning and rezoning of human settlements?

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   - What has been the strategy to sustain MIG spending to ensure continual achievement?

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   - did the municipal manager went through this document, what is your understanding ?
   - what is the vacancy rate?

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- What is management's view on these findings?

7. Executive committee.

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   - why were financial statements and other information not reviewed for accuracy and completeness by the Accounting Officer in the annual report?
   - why was compliance with laws and regulations not reviewed and monitored by the Accounting Officer?

Mabasa

MPAC chairperson