



GREATER GIYANI MUNICIPALITY

MPAC OVERSIGHT REPORT 2017/18

29 MARCH 2019

TABLE OF CONTENTS

PAGE

1.	FOREWORD BY THE CHAIRPERSON OF THE MPAC	4
2.	INTRODUCTION	5
3.	BACKGROUND	5
4.	FUNCTIONS OF MPAC	5
5.	COMPOSITION OF THE OVERSIGHT COMMITTEE	5
6.	REVIEW OF THE ANNUAL REPORT	6
7.	MPAC WORKPROGRAMME FOR THE CONSIDERATION OF THE ANNUAL REPORT	6-7
8.	PUBLIC HEARING	8
9.	MPAC PROJECT VISIT	8
10.	ANNUAL REPORT CHECKLIST	9
11.	MPAC OBSERVATIONS	9
12.	MPAC RECOMMENDATIONS	13-14
13.	CONCLUSION	14-15
14.	ANNEXURES:	
	ANNEXURE A	-MPAC QUESTIONS
	ANNEXURE B	-RESPONSES BY MANAGEMENT
	ANNEXURE C	-ATTENDANCE REGISTER PUBLIC HEARING
	ANNEXURE D	-PUBLIC NOTICES
	ANNEXURE E	-MPAC WORKING SESSION ATTENDANCE REGISTER

GLOSSARY

AFS	-	ANNUAL FINANCIAL statements
AG	-	Auditor General
BTO	-	Budget and Treasury Office
CLLR	-	Councillor
EXCO	-	Executive Committee
GGM	-	Greater Giyani Municipality
PMS	-	Performance Management System
IDP	-	Integrated Development Plan
INEG	-	Integrated National Electrification Grant
MFMA	-	Municipal Finance Management Act
MIG	-	Municipal Infrastructure Grant
MPAC	-	Municipal Public Accounts Committee
MSA	-	Municipal Systems Act
MSA	-	Municipal Structures Act
SDBIP	-	Service Delivery Budget and Implementation Plan

1. FOREWORD BY THE CHAIRPERSON OF THE MPAC

It gives me great pleasure on behalf of the Greater Giyani Municipal Public Accounts Committee, to present the 2017/18 Oversight Report. This is the second submission of the Oversight Report of the MPAC for the 2016 political term of this Council. In carrying out its oversight responsibility the MPAC has:

- ✓ Reviewed and analysed the Annual Report
- ✓ Invited , received and considered inputs on the Annual Report
- ✓ Considered any written comments (none were received)
- ✓ Received and considered Council's Audit Committee views and comments on the Annual Financial Statements and the Performance Report
- ✓ Conducted public hearing where the Mayor through the Municipal Manager were required to respond on MPAC questions as reported in the Annual Report
- ✓ Prepared the Oversight Report, taking into consideration, the views and inputs of the representatives of the Auditor General, COGHSTA, Council's Audit Committee and Councillors.

This report would not have been complete without the support and inputs of different stakeholders. Let me therefore take this opportunity to express my gratitude to the community of Greater Giyani Municipality, members of MPAC, your hard work and commitment has not gone unnoticed. Let me acknowledge the unconditional support received from the Office of the Auditor General, Audit Committee (Internal Audit and Risk Management Unit) , the Office of the Municipal Manager , the Office of the Speaker , the Office of the Mayor , the Office of the Chief Whip and Councillors . Lastly, let me thank the support staff of the MPAC office, the Researcher, for the sterling work.

I present the Oversight Report in which MPAC recommends for adoption of the 2017/18 Annual Report with the recommendations as recorded in this document.

CLLR MABASA RO
MPAC CHAIRPERSON

DATE

2. INTRODUCTION

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

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 through the year by the municipality

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

3. BACKGROUND

Resolutions and statement required by MFMA section 129 (1)

To consider the Greater Giyani Municipality's Annual report for the 2017/2018 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).

4. FUNCTIONS OF MPAC

MPAC is tasked with the review of the annual report and all inputs received in responses to the advertising process and the preparation of an Oversight Report for consideration by the Council.

5. COMPOSITION OF THE OVERSIGHT COMMITTEE

During the 2017/18 financial year, the Municipal Public Accounts Committee consist of the following Councillors (CR12 – 16/08/16SP)

Cllr RO Mabasa	-	MPAC Chairperson
Cllr MC Mhlongo	-	MPAC Member
Cllr B Gaveni	-	MPAC member
Cllr DC Mashimbye	-	MPAC member
Cllr NR Khandhela	-	MPAC member
Cllr TR Maluleke	-	MPAC member
Cllr P Mazibuko	-	MPAC member
Cllr HR Shivambu	-	MPAC member

6. REVIEW OF THE ANNUAL REPORT

6.1 SUBMISSION AND TABLING OF THE DRAFT ANNUAL REPORT

The Draft Annual Report of the Greater Giyani Municipality for the 2017/2018 financial year was tabled at a Scheduled Council meeting, on 25th January 2019, in terms of section 127(2) of the Local Government: Municipal Finance Management Act 56 of 2003.

Council resolved at its meetings held on 25th January 2019 on the following:

UNANIMOUSLY RESOLVED: (presented by Cllr Mabunda EN)

- (1) That the tabling of the Draft Annual Report be adopted; and
- (2) That the Municipal Manager in terms of section 127 (5) of the MFMA:
 - (a) Make public the Draft Annual Report for 2017/2018 financial year;
 - (b) Invites the local community and to submit representations in connection with the Annual Report on or before 19 March 2019;
 - (c) Submit the Draft 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 or before 31st March be presented to council for consideration and adoption;
- (4) That the Draft Annual Report be referred to MPAC for oversight.

6.2 CIRCULATION OF THE ANNUAL REPORT

The Draft Annual Report was advertised as follows:

- The local community was invited via the Sowetan and website of the Greater Giyani Municipality to submit comments / objectives in connection with the Report on or before 19 March 2019.
- The Annual Report was placed on the municipal website at www.greatergiyani.gov.za
- The Annual Report was submitted to all relevant government departments

At the closing date for public comments on the 19 March 2019, no comments / representation were received.

6.3 CONSULTATION BY MPAC

MEETING SCHEDULE

1. MPAC had a working session on the Annual report from 19 to 21 February 2019
2. MPAC had a meeting with Audit Committee, Auditor General of South Africa and COGHSTA (Annexure E – attendance register).
3. MPAC prepared questions and submitted to Management (Annexure A)
4. Management responded to MPAC questions (Annexure B).

The National Treasury's MFMA Circular No 32 further provides for certain provisions with regard to the compilation of the Oversight Report. These provisions cover the following areas:

- Managing the process and forming committees
- Timing considerations
- Understanding the Annual Report and determining conclusions

The table below outlines meeting schedules of the MPAC when considering the Draft Annual report:

Date	Time	Venue	Focus area
19 February 2019	9H00 – 16H00	Hansmerensky hotel and spa	<p>Presentation on Annual report by COGHSTA – about annual report processes as well as interpreting the annual financial statement</p> <p>Presentation by PMS – on issues of annual performance</p> <p>Verifying the validity and completeness of the information outlined on the</p>

Date	Time	Venue	Focus area
			draft annual report Checklist on annual report
20 February 2019	09h00 – 16h00	Hansmerensky hotel and spa	Meeting with Auditor General – to unpack the audit report and to guide the committee on the oversight role and also assist in drafting questions Presentation by Risk Management unit – issues pertaining to the municipality's risks Meeting with Audit Committee Drafting of MPAC questions
21 February 2019	09h00 – 12h30	Hansmerensky hotel and spa	Drafting of MPAC questions
28 February 2019	10h00 – 15h00	GGM boardroom	Drafting of MPAC questions and adoption
18 March 2019	10h00	GGM public hearing	Preparation of public hearing
19 March 2019	10h00	GGM Community Hall	Public hearing
27 March 2019	08h00	GGM projects	Project visits
27 March 2019	10h00	GGM boardroom	Drafting and adoption of oversight report
29 March 2019	10h00	Giyani Community Hall	Adoption of oversight report by Council

6.4 PUBLIC HEARING

The public notice of the public hearing was advertised in Sowetan (Annexure D) and distributed around the jurisdiction of Greater Giyani Municipality. The public hearing on the 2017/18 Draft Annual report was held on the 19th March 2019, where the Mayor through the Accounting Officer was responding and clarifying the committee on issues raised and questions pertaining to the draft annual report. The Office of the Auditor General, COGHSTA, Provincial Treasury, SALGA and all the stakeholders were invited to attend the Public Hearing. (Section 130 of the MFMA)

6.5 MPAC PROJECT VISITS

Verification process was conducted on a sample of projects requested by MPAC to confirm their completeness and also to check their impact to the

Community. The committee conducted project visit on the 27th March 2019. The following projects were visited: Thomo Community Hall, Shivulani Sports Centre, Giyani Section F Paving, Giyani section E Sport Centre, Mbaula gravel to tar road, R81 Traffic Lights (Siyandhani) and Bode paving of internal streets.

7. ANNUAL REPORT CHECKLIST

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COMMENTS
1. Financial matters – Annual Financial Statements – section 121 (3) MFMA	
Section 121 (3) (a) MFMA (a) The Annual financial statements (AFS) 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 and signed by the Municipal Manager, Mr Chauke MM signed on the 31 st August 2018; The municipality does not have an entity
(b) The Auditor General's audit report is included in the annual report in terms of section 126(3);	The Auditor General's report is included in the annual report;
(c) An assessment by the Accounting Officer on any arrears on municipal taxes and service charges; (section 121 (3)(e))	The municipality is under collecting revenue as a result of non-payment;
(d) Particulars of any corrective action taken or to be taken in responses to issues raised in the audit reports referred to in paragraphs (b) and (d) Council should also confirm that the audit report has been forwarded to the MEC	The municipality obtained qualified audit with management issues. The Action plan is attached as Annexure C The Audit Report was submitted to COGHSTA on the 05 th February 2019.
(e) An assessment on asset management, as required by section 63(2)(a) of the MFMA	The municipality established the systems to maintain and account for assets and liabilities, and there were no significant issues which were raised during the audit. However municipality is yet to automate management of assets (currently the spreadsheet is in use). An investment with VBS was impaired

	during 2017/18 financial year.
(f) Audit report on leadership.	Management did not provide adequate supervision and review over the operations of the municipality to ensure compliance with laws and regulations and to appoint the necessary skilled staff.
(g) Section 121 (3) (j) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality	Audit Committee made recommendations to the municipality, however not all recommendations were implemented by the end of the financial year.
2. Disclosures – Allocations received and made – Section 123 -125 MFMA	
(a) 123 (1) (a) Allocations received and made to the municipality.	It should be noted that the municipality's functionality depends largely on grants ; (LGSETA , MSIG, EPWP, FMG, MIG , INEG , EPWP and MDRG);
(b) Information in relation to the use of allocations received;	Unspent INEG of R5 465 566.00. It should be noted that the municipality spent 100% of its MIG and received R17m bonus;
(c) Information in relation to outstanding debtors and creditors of the municipality;	It should be noted that there are on-going engagements with national and provincial departments , but there is a national concern on growing culture of non-payment by our communities; We need effective systems of expenditure control and reasonable steps to prevent irregular ,fruitless and wasteful expenditures;
3. Disclosures in notes to AFS	
(a) Information relating to benefits paid by municipality and entity to Councillors , 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 and they are fully detailed on the AFS;
4. Municipal Performance	
(a) Information on the annual	The performance report has been

performance reports of the municipality;	included in the annual report. The municipality had a total number of 140 targets wherein 90 targets were reported as achieved, 43 as not achieved and 3 withdrawn. The total achieved percentage is 64%; Customer satisfaction surveys was not undertaken to check whether the community is satisfied or not satisfied with the services provided.
(b) Audit reports on performance (section 45, MSA);	The municipality received unqualified audit on performance.
5. General information	
(a) Information Technology and systems purchases and the effectiveness of these systems in the delivery of services and ensuring compliance with statutory obligations	For period under review 2017/18, Information and Communication Technology provided and supplied ICT equipment's e.g. computers, printers, 3Gs and Memory Sticks. The Unit also updated of Municipal website on a continuous basis and maintained network infrastructure for ease of communication. The Unit provided IT systems, user maintenance and support.
6. Other considerations recommended	
(a) Timing of reports	The annual report was tabled in time on the 25 th January 2019.
(b) Oversight committee or other mechanism	The Municipal Public Accounts Committee was delegated the responsibility of preparing the oversight report.
(b) Payment of performance bonuses to municipal officials (section 57 MSA	Performance bonuses for the year under review have not yet been paid to any section 57 manager.(Performance assessment was not conducted)
(c)Public consultative meetings	Public hearing on the draft annual report was conducted on the 20 th March 2019
(d)Annual Report distribution points documented and feedback documented	The Annual Report was placed for inspection at municipal libraries, halls, a copy was posted on the municipality's website and copies

	were circulated to all Councillors.
--	-------------------------------------

MPAC OBSERVATIONS

1. The committee expresses serious concerns regarding the accuracy, quality and completeness of the information submitted in general to compile the Draft Annual Report. (Part C of the MPAC questions).
2. The Committee would like the Council to note that the Greater Giyani Municipality has improved from 2016/17 Adverse audit opinion to Qualified audit opinion.
3. During the year under review the municipality did not fully spent the INEG amounting to R5 465 566.00.
4. Management has developed Audit Action plan to address findings by the Auditor General. (Annexure C on the Annual Report).
5. MPAC noted Auditor General's findings that Unauthorised, Irregular, Fruitless And Wasteful Expenditure (Paragraph 39, 41, 42 And 43) and that reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by deviations from the procurement processes and in contravention of municipal investment regulation 6. We have further noted the management's response on the actions to reduce UIFWs. We also noted that the municipality did not establish financial misconduct board.
6. We have noted the Auditor General's finding that adequate oversight, supervision and review over the operations of the municipality was not exercised resulting in over reliance on consultants and municipal officials not taking ownership of overall work performed for compliance, financial and performance reporting. The Committee further noted the response during public hearing with regard to the use of consultants.
7. That the service of Annual Financial Statements is still outsourced. And that an amount of R5 783 502.12 was spent on preparing the Annual Financial Statements.
8. MPAC has noted that there are officials and councillors owing municipal taxes and rates.
9. That formal performance assessment of section 54 managers was not conducted. The committee has noted the management's response.
10. The committee expresses a concern with regard to revenue collection systems and noted the response by management.
11. That the municipality does not have a proper record management system.

12. That during the 2017/18 financial year, public satisfaction surveys was not done.

MPAC Recommendations

1. MPAC recommends that amendments (refer to part C of the MPAC questions) be made to the draft annual report 2017/18.
2. The Accounting Officer should ensure that documents submitted to Council and Committees of Council are proof read prior to submission.
3. That all errors identified in the Draft Annual Report should be rectified before a final document is issued and that the corrected document be submitted to MPAC.
4. That the Internal Audit section has to verify the correctness of the Amended Draft Annual Report
5. That the management ensures that strict internal control and monitoring measures be implemented to prevent non/under spending of conditional grants.
6. That monthly/ quarterly performance assessments of service providers / suppliers be done by every departments to detect under performance
7. That the council should note the effort done by management in improving from adverse audit opinion to qualified audit opinion.
8. The Council to note and approve the action plan, that management fully implement the action plan and that quarterly report on the progress of implementation be reported to Council and MPAC.
9. That financial misconduct board be established as per the MFMA Regulations in line with a council resolution before June 2019
10. Implementation of zero tolerance to irregular expenditure by ensuring appropriate disciplinary actions arising from investigations are taken against officials or Councillors that transacted with the municipality and or have breached SCM processes.
11. The SCM policy be revised to ensure that all compliance requirements are adequately covered in line with SCM regulations and policy.
12. That the detailed list of UIFWs 2017/18 as well as supporting documents be submitted to MPAC before 30 April 2019.
13. Management should implement action plans to address weaknesses on the use and management of consultants
14. Management should design, implement and monitor the policy on the use of consultants.
15. Management must minimize the use of consultants and that there should be a skills transfer to capacitate officials

16. That Annual Financial Statements be done in-house. That the deputy chief finance officer post be established to assist the Chief Finance Officer in carrying out some of the duties.
17. That all councillors and officials owing municipal rates and taxes for more than sixty days, money owed be deducted from their salaries with effect from May 2019. In implementing the recommendations, the accounting officer should consider Section 34(2) of the Basic Conditions of Employment Act.
18. That formal performance assessment of sections 54 or directors be conducted before the end of June 2019
19. The Accounting Officer should ensure that credit control policy is fully implemented.
20. That the accounting officer should that records management systems are developed for easy retrieval of documents.
21. That public satisfaction surveys be conducted during 2018/19 financial year.

The following recommendations were made during 2016/17 oversight report and that the committee feels that it is still applicable since it was not fully implemented.

- The accounting officer must finalize the issue of land audit.
- The list of Unauthorised, Irregular, Fruitless and Wasteful (UIFW) expenditure be submitted to MPAC for investigation.
- That the service level agreement with Mopani District Municipality be effectively finalised
- The municipality should improve and enhance revenue collection strategy.
- That a compliance officer be appointed as a matter of urgency.

CONCLUSION

The MPAC commends Council, the Municipal Manager, Directors and all staff at Greater Giyani Municipality on the strides made towards good governance.

However, there is great room for improvement with regard to: improvement of key controls to ensure effective financial management, contract and procurement management
Improvement of internal controls to ensure that issues raised by both internal and external auditors are addressed effectively

Having performed the following tasks:

- Reviewed and analysed the 2017/18 Annual Report ,

- Invited , received and considered inputs from the management and council committees , on the Annual Report
- Conducted public hearing to allow the local community or any organs of state to make representations on the Annual Report
- Received and considered Council's audit committee views and comments on the annual financial statements and the performance report and
- Prepared the Oversight Report , taking into consideration , the views and inputs of the public representatives of the Auditor General , organs of state, council's Audit Committee and Councillors

The MPAC has pleasures in presenting the Oversight Report to Council to consider one of the following resolutions and then to be forwarded to the relevant Departments and Provincial Legislature:

COMMITTEE RECOMMENDS, Council to;

- **Approve** the oversight report with recommendations
- That the Annual Report 2017/18 be **adopted** without reservation
- That the 2017/2018 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 2017/18 be submitted to Provincial Legislature in terms of section 132(2) of the MFMA.

MPAC CHAIRPERSON
CLLR R.O MABASA

DATE