



# GREATER GIYANI MUNICIPALITY

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## OFFICE OF THE MUNICIPALITY PUBLIC ACCOUNTS

### OVERSIGHT REPORT ON ANNUAL REPORT: 2015/2016 FINANCIAL YEAR.

#### BACKGROUND

#### Resolutions and statement required by MFMA s129 (1)

To consider the Greater Giyani Municipality 's Annual Report for the 2015/2016 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)

#### 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 Draft Annual Report of the Greater Giyani Municipality for the 2015/2016 financial year was tabled at a Scheduled Council Meeting, on the 30 January 2017, 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 30 January 2017 on the following:

**UNANIMOUSLY RESOLVED:** (presented by Cllr Mabunda E)

- (1) That the tabling of the Draft Annual Report be noted; and



- (2) That the Acting Municipal Manager in terms of section 127(5) of the MFMA:
  - (a) Make public the Draft Annual Report for 2015/2016 financial year;
  - (b) Invites the local community and to submit representations in connection with the Annual Report on or before 18 March 2017;
  - (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 31 March 2017 be presented to council for consideration and adoption;
- (4) That the Draft Annual Report be referred to MPAC for oversight.

## CONSULTATION BY MPAC

1. MPAC had a working session on the Annual Report from the 25 to 28 February 2017
2. MPAC had a meeting with Audit Committee Chairperson on the 8<sup>th</sup> March 2017
3. MPAC consulted with Audit Committee, AGSA, COGHSTA and Treasury
4. MPAC prepared questions and submitted to Management
5. Management responded to MPAC questions.

## The Oversight Committee

With reference to MFMA Circular no 32 of 15 March 2006, MPAC analysed and reviewed the Annual Report in detail and generated questions to the Executive; (Annexure A) and the Executive responded (annexure B); and held a public hearing on the 23 March 2017.

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 18 March 2017.
- The Annual report was placed on the municipal website at [www.greatergiyanimunicipality.gov.za](http://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 18 March 2017, 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	The Annual Financial Statements of the Municipality are included in the report from page 182 to page 320 and the then Acting Municipal Manager, Mr RH Maluleke signed on 31 August 2016 in conjunction with Auditor General

financial statements as submitted to the 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 from pages 322 to page 330 . the committee noted the improvement from past years, its view is that we can do better than this,
(c) Award to person in service of the state	The Auditor General's report found that there are government officials doing business with the municipality and failed to disclose their interests in the suppliers
(d) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act	The report is from page 31 to page 175(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.
(e) 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,
(f) 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. It was noted that some pieces of Land belonging to the municipality registered at Deeds Office was not recorded in the Municipal asset register
(g) 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)
(h) Information in relation to the use of allocations received;	It should be noted we spent 100% grant on MIG, MDRG, FMG, EPWP and INEG
(i) 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;
(j) Information relating to benefits paid by	It should be noted that the information has been properly disclosed, and explanations



municipality to councilors, directors and officials	provided are acceptable and conditions of allocations have been met and they are fully detailed on the AFS
(k) 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 47% vacancy rate, there is an alignment of IDP and Budget. The Municipality had a total number of 198 Targets wherein 143 were reported as achieved, 52 as Not Achieved and 3 Withdrawn during budget adjustment. The total Achieved percentage is 73%
(l) Audit reports on performance(section 45,MSA)	The Municipality received unqualified Audit Opinion in relation to Usefulness and Reliability of information in the Audit of Predetermined Objectives (AOPO) with no material finding by AGSA.
(m) 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 and fully implement to plans.
- ❖ 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 to review the useful life of Assets to effect the change in accounting estimate as required by GRAP 3
- ❖ Management should perform deeds search on an annual basis to verify the ownership of municipality land and reconcile it to the asset register
- ❖ 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 to report irregular fruitless expenditure to MPAC on monthly basis

- ❖ 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 to improve from 73% to a higher achieved percentage.
- ❖ 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
- ❖ All outdated by-laws to be reviewed

**Accordingly, MPAC requests council to;**

- **Approve** the oversight report with recommendations
- That the Annual Report 2015/2016 be **adopted** without reservations
- That the 2015/2016 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 2015/2016 be submitted to Provincial Legislature in terms of section 132(2) of the MFMA.



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MPAC CHAIRPERSON



# ANNEXURE A



## GREATER GIYANI MUNICIPALITY

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### OFFICE OF THE MUNICIPALITY PUBLIC ACCOUNTS

#### MPAC QUESTIONS DRAFT ANNUAL REPORT - 2015/16.

#### **PART 1: IMPLENTATION OF MUNICIPAL POWERS AND FUNCTIONS**

Municipalities are responsible to perform their given powers and functions by legislation, e.g. Local Tourism, markets, trading regulations, open places, noise pollution and etc

- Some of the powers and functions will enable the Municipality to generate revenue; what are the plans in place in making sure that all given powers and functions are implemented?

##### **Population**

- There is an increase in terms of population; what are we doing as the municipality to encounter the population?

##### **Environmental overview**

- Greater Giyani Municipality is counted amongst areas with environmental challenges that is illegal occupation of land deforestation, etc. what are the plans in place to mitigate the environmental challenges?

##### **Service delivery overview**

- The Municipal is doing well in terms of implementation of the MIG projects. What are we doing on making sure that the project are well maintained and sustained?

##### **Financial health overview**

- The Municipality enjoys healthy financial status in terms of grants. What are the plans in place to collect revenue?

##### **Organizational Development Overview**

- The Municipality approved its Organizational Structure, for the period under review the Municipality battle to fill top Management positions. What are the plans in making sure that the positions are filled before the financial year?



**IDP and Public Participation**

- What are the plans in place in making sure that communities are fully participating in relation to service delivery E.g. submitting comments in relation to publicized Municipal comments

**Risk Management**

- When will appropriate risk management activities be implemented?
- Are formal risk assessments undertaken on a regular basis?
- If a risk assessment were performed did management respond to risks identified with applicable corrective actions which include a fraud prevention plan?
- When is management appointing Risk Manager

**Public satisfaction on Municipal services**

- When is the municipality going to do formal public participation surveys?

**By-laws**

- How is the municipality doing with by-laws enforcement?

**Anti-Corruption and Anti-Fraud and Anti-Corruption strategy**

- Are aware of any fraud, suspected fraud or allegations during the year?  
[yes/No] provide detail if any?
- What procedures /processes have management implemented for identifying and responding to the risks of fraud in the in the Municipality?

**Integrity and Ethical behaviour**

- Does the Municipality use a formal code and other policies communicating appropriate ethical and moral behavioural standards and addressing acceptable operational practices and conflicts of interest?
- Are the codes/policies periodically acknowledged by signature of all employees?
- Does the Municipality have a disciplinary policy in place?

**Water Provision**

- How much did we receive from Mopani for operation and maintenance as a water services provider?

**Waste management**

- When is the Municipality going to roll out solid waste services to villages?

**Free Basic Services Indigent Support**

- What is the cut of amount for indigent earning as per Municipal indigent policy?

## **IMPLEMENTATION OF THE SDBIP TARGETS**

### **KPA 1: Spatial Rational**

#### Formalization of Risinga

- What measures taken by the Municipality to ensure that mediation process is facilitated to ensure the completion of the formalization of Risinga?

#### Approved General Plan for Shikukwana

- What measures taken by the Municipality to ensure that mediation process is facilitated to ensure the completion of the approval of the survey general for Shikukwana?

#### **Town Expansion of Ngove area**

- What measures taken by the Municipality to ensure that mediation process is facilitated to ensure the completion of the expansion of Ngove area?

#### There is delay in signing an agreement to release village

- What measures taken to make sure that the land is released?

### **KPA 2: Municipal Transformation and Organization Development**

#### Portfolio Committee

- Was there a catch up plan to make sure that Portfolio Committee meetings are held?

#### **Training of Officials**

The Municipality planned to train 209 officials and it is reported that only 177 officials were trained in 2015/16 financial year.

- What is the plan to make sure that municipal officials are capacitated in terms of training?
- How did we utilized the allocated budget that was meant for training?

#### Implementation of PMS at lower levels

The Municipality planned to conduct 4 assessments on 38 employees (20 Managers and 18 Senior Practitioners and it is reported that only 3 managers in the office of the municipal manager were assessed.

- How are managers and senior practitioners held accountable in terms of performance if assessments are not conducted as planned?
- What is the plan in place to make sure that assessments are conducted in 2016/17 financial year?

#### Local Labour Forum Meetings



- It is noted that LLF meetings were not held as planned, What is the plan in place to make sure that the meetings are held as per the plan and Labour issues are attended to avoid Labour unrest?

Litigation cases finalized

- How many legal cases pending against the municipality?
- Can management provide MPAC with the litigation report and the costs in to be incurred to finalize the cases?

### **Provisioning and supply of IT equipment**

It is reported that only three payments for leased desktop and laptop computers was done instead of four due to the expiry of the lease during mid- February.

- Why was the new lease not entered to before the expiry of the old lease?
- What are plans in place to make sure that work is not compromised due to unavailability of the new lease?

### **KPA 3: Infrastructure Development and Basic Services**

MPAC identified that most of the reported unachieved targets were due to confirmation by Eskom in energizing, none responsive bidders, additional scope of work, and budget constrain

- How is the Municipality addressing the identified problems to fast track service delivery?

### **KPA4: Local Economic Development**

The strategic objective of the KPA 4 is to create an enabling environment for sustainable economic growth

- The Municipality failed to launched Agricultural and Tourism forum and also failed to develop and implement business attraction and retention strategy
- What is plan in place in making sure that all forums are launched and functional?
- What is the plan to develop and implement business attraction and retention strategy?

### **KPA5: Financial Viability**

MPAC has identified that most challenges in this KPA is due to under staffing and late appointment of service providers, revenue collection , spending of the operational budget

What is the Municipality doing in making sure that the identified problems are attended to and resolved?

### **KPA 6: Good Governance**

The strategic objective is to develop governance structures and systems that will ensure effective public consultation and organizational discipline

- Why is the Municipality failing to fully implement the AGSA Action plan, Internal Audit action Plan and the Risk Management Plan ?
- What is the plan to address all findings raised by both Internal Audit and AGSA?
- Programs in the office of the Mayor are not fully implemented, is the Municipality not having the schedule for the forums in the office of the Mayor?

## **AUDITOR GENERAL'S REPORT**

### **Record Management**

- All the qualifications paragraphs relate to the non-submission of audit evidence. As supporting documentation is the basis for all accounting transactions and good governance, what assurance do you have that the accounting records of the municipality are indeed reliable?
- What control measures have subsequently been implemented to improve your document management system to ensure that audit evidence is available for all transactions when compiling the financial statements?

### **Property Plant and equipment**

Audit General's report states: "I identified land belonging to the municipality that was not accounted for in the accounting records of the municipality. Furthermore I identified that the valuation method applied on some of these properties owned by the municipality on initial recognition was not in accordance with SA standards of GRAP 17, property, plant and equipment, resulting in incorrect values being derived. As the municipality did not have an adequate system of recording and I could not confirm these values by alternative means. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment stated at R 524 131 955 (2015:R 449 848 012) as disclosed in the financial statements were necessary.

The municipality did not review the useful lives of property, plant and equipment at each reporting date in accordance with the Standards of Generally Recognised Accounting Practice, GRAP 17, Property, Plant and Equipment. The municipality's record did not permit the application of alternative audit procedures. Consequently, the impact on the carrying value of property, plant and equipment and corresponding



effect on accumulated surplus in terms of GRAP 3, Accounting policies, change in accounting estimates and errors as disclosed in note 3 to the statement of financial position could not be determined.

There is an unexplained difference of R42 821 677 between the balance of property, plant and equipment disclosed in note 3 to the annual financial statements and the underlying accounting records. Consequently, property, plant and equipment is misstated by R 42 821 677. I could not determine the effect on the other account balances or class of transactions contained in the financial statements."

- It is a trend that has been observed in the previous Auditor General Report that this is a continuous qualification statement. What is the correct method used for evaluating the Property Plant and Equipment according to the GRAP 17? How will the accounting officer ensure that the root cause of the qualification which is poor record keeping be dealt with? Who approves the adjustments as there were no supporting documents?
- How was the evaluation of land done without supporting documents? Does the municipality have the property evaluator? Was the GRAP 17 followed in the process of providing the value of the land? How were these figures arrived at? How is the municipality going to deal with the matter of record keeping?
- Was the application of GRAP 17 followed when disclosing work in progress regarding in reporting on disclosure of work for Property Plan and Equipment? Are there any disciplinary action taken concerning the matters of reporting compliance to the Auditor General?
- What control measures have been implemented to ensure compliance with SA Standards of GRAP, GRAP 17 Property, plant and equipment?
- Who assisted us with the preparation and updating of asset register and what action was taken against them for this underperformance?

#### **Cash flow statements**

The AGASA's finding state "The financial statements were materially misstated due to material uncorrected misstatements in the following item disclosed in the cash flow statement:

- Receipts from operating activities were understated by R520 151.
- Payments from operating activities were overstated by R3 871 501.
- Purchases from investing activities were understated by R 6 330 615.
- Changes in working capital from operating activities were overstated by R7 246 250."

- What is preventing the accounting officer from providing accurate information on cash flow statement for auditing? How will this non-compliance be attended to?
- What monitoring controls have been implemented to ensure that the municipality's calculation of cash flows appropriately accounts for non-cash items in the cash flow statement?

### **Irregular expenditure**

Auditor general's report state: "As disclosed in note 41 to the annual financial statement, irregular expenditure to the amount of R13 141 430 was incurred in the current year as the municipality procured goods and services without following supply chain management regulation."

- Why is there no proper documentation of irregular register? How was it that all irregular expenditure was not disclosed? Are there any internal control systems in place to monitor and prevent irregular expenditure?
- Has the irregular expenditure incurred in the current year and from prior years been investigated and dealt with in terms of section 32 and chapter 15 of the MFMA? Please submit full details of all the steps taken in this regard.
- What was the root cause of the irregular expenditure and how is it being addressed?

### **Restatements of corresponding figures**

- What is the nature of the said restatements of corresponding figures?
- What was the root cause of the material impairments and how is it being addressed?

### **Annual financial statements**

- Who is preparing our Annual Financial Statements, is it internal staff or a contractor? In a case of a contractor, how much did the municipality pay for that service since contracted? Why were the "material misstatement" on the AFS identified by the Auditors were not corrected and supporting documents not submitted in compliance to section 122 of the MFMA? What steps has the accounting officer taken to ensure that correct AFS are prepared on a monthly basis, in order to adhere to the legislation? And that appropriate supporting documents are filed in preparation of the next audit?
- What action plan has management decided on to address the non-compliance the above non- legislation

### **Annual financial statements and annual report**



- How was it that the Auditor General be submitted with financial statements that were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA? The misstatements were found not to be corrected and supporting documents of the financial statements were not provided. Why is the annual financial statement submitted without supporting documentation? How will the accounting officer ensure that the next financial statements for submissions will have all the necessary reports?
- What further monitoring controls have been implemented to detect and correct misstatements in the financial statements before submission for audit, as this matter was also raised in the prior year?
- Why was the annual performance report submitted for audit found to be non-complying with section 46(1)(a),(b) and (c) of the MSA? What steps have you done to ensure this does not happen again?
- What action plan has management decided on to address the non-compliance the above non- legislation

#### **Procurement and contract management**

- Explain the awarding of contracts based on points given as stipulated by the MFMA. Why did the Auditor General find that compliance with SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulation on contracts awarding had no sufficient audit evidence that the law was followed as prescribed? How will the accounting officer prevent this in future?
- How will the accounting officer ensure that the thresholds for local content on designated sectors procurement will be implemented fully as per the requirements of the preferential procurement regulation 9?
- Why did the accounting officer not monitor the implementation of the preference point system that is to be applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential procurement Policy Framework of South Africa?
- Which Directorate is responsible for monitoring contractors? Why were the responsible officials not monitoring and reporting monthly on the contractors as required by the section 116(2) (b) of MFMA? How does the administration certify quality of work done by the contractors? How is the municipality applying the retention clause in the contractors awarded? What procedures and systems have been implemented to monitor the contractors in future?



- Have you implement effective HR management to ensure that the adequate and sufficiently skilled resources are in place and that performance is monitored?
- Have you established and communicated policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities?
- Have you developed and monitor the implementation of action plans to address internal control deficiencies?
- Does the municipality have IT governance framework that supports and enables the operations, delivers value and improves performance?

#### **Financial and performance management**

- What prevents the management from implementation of monitoring controls to prevent errors in the accounting and management of records?
- What prevents regular reviews and reconciliation being performed to detect and correct errors in a timely manner? Is the responsible official(s) not competent adequately? What steps have been taken to correct this problem?
- Why is there no effective record-keeping system that ensures that information is retrieved within reasonable time and that the financial statements and performance report are supported by valid and accurate documents? How will this issue be addressed by the accounting officer?
- The AGSA Action Plan seems not to be taken seriously and there is a lack of ongoing monitoring of the plan. How will the implementation and reporting of the current Action Plan be improved to ensure improved control environment?
- As at the June 2016 what was the status regarding the implementation of AGSA recommendations from prior year audit?
- What is current status regarding the implementation of AGSA recommendations?

- Have you implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting?
- Have you implemented controls over daily and monthly processing and recording of transactions?
- Does the municipality prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information?
- Have you designed and implemented formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.
- What control measures have subsequently been implemented to ensure that all prior year matters are addressed before finalizing the financial statements?
- Have these corresponding figures subsequently been investigated and corrected?

#### **Governance**

- Has the accounting officer received recommendations identified by the internal audit unit and the audit committee?
- Why has it been observed that there is a lack of cooperation and responsiveness by management to key recommendations?
- When will combined assurance framework be finalised and implemented by management?
- What is current status regarding the implementation of Internal Audit Recommendations and Audit Committee recommendations
- Have you implemented appropriate risk management activities to ensure that regular risk assessments including consideration of IT risks and fraud prevention are considered and that a risk strategy to address the risks is developed and monitored?
- How did you ensure that there is an adequate resources and functioning internal audit, performance management unit and risk management unit that identifies internal control deficiencies and recommends corrective action effectively?

#### **Investigations**

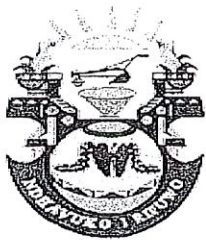
What is the current status regarding the ongoing and complete investigation against some municipal officials?

  
MPAC CHAIRPERSON

DATE 14-03-2017

# ANNEXURE B





## GREATER GIYANI MUNICIPALITY

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### OFFICE OF THE MUNICIPAL MANAGER

#### RESPONSES TO MUNICIPAL PUBLIC ACCOUNTS (MPAC) QUESTIONS 2016/17

#### PART 1: IMPLENTATION OF MUNICIPAL POWERS AND FUNCTIONS

*Municipalities are responsible to perform their given powers and functions by legislation, e.g. Local Tourism, markets, trading regulations, open places, noise pollution and etc.*

- *The responsibilities on the question are delegated to Departments of the Municipality i.e. Community Services, Technical Services and Planning to perform those duties.*
- *Some of the powers and functions will enable the Municipality to generate revenue; what are the plans in place in making sure that all given powers and functions are implemented?*
- *Powers and Functions of the Municipalities are regulated in terms of relevant legislation e.g. Municipal Finance Management Act, Municipal System Act and Municipal Structures Act.*
- *The resolution of the Strategic Planning has directed the Municipality to look at all revenue sources that will enable the Municipality to generate more revenue e.g. Building Plans approval in all areas that has been formalized e.g. Xikukwani, Echo Park and B9.*

#### Population

- *There is an increase in terms of population; what are we doing as the municipality to counter the population?*
- *Municipality is doing forward planning which takes into consideration the Population Growth.*
- *Demarcation of residential sites.*

#### Environmental overview

- *Greater Giyani Municipality is counted amongst areas with environmental challenges that are illegal occupation of land, deforestation, etc. what are the plans in place to mitigate the environmental challenges?*
- *The general environment challenges are resultant from the general causes identified in the table below. The mitigation measures that the municipality employs are also discussed in the table below.*

General cause	Mitigation Measure
Poverty leads people to rely on	The municipality provides Free Basis Services, i.e. electricity,

<i>fuel wood for household energy leading to biodiversity loss</i>	<i>water, refuse removal in townships.</i>
<i>Climate change</i>	<p><i>The municipality has adaptation programmes such as indigenous tree planting, environmental awareness, Global Adaptation Fund such as drought resistant agriculture programmes, the municipality has established a disaster management function.</i></p> <p><i>Furthermore, a regional biodiversity plan has been developed and identifies critical protected areas and put standards for the development in such fragile environments.</i></p> <p><i>The municipality has recently established a disaster management function to deal with eventualities that could result from climate change induced natural phenomena.</i></p>
<i>Over grazing exacerbating deforestation</i>	<i>The municipality partners in public education programmes championed by the DAFF</i>
<i>Alien invader species</i>	<i>The municipality has and implements a native plants nursery programme for reforestation.</i>

#### **Service delivery overview**

- ***The Municipal is doing well in terms of implementation of the MIG projects. What are we doing in making sure that the projects are well maintained and sustained?***
  - *10% of the total Municipal Infrastructure budget is set aside for maintenance of Infrastructure.*
  - *Pool of contractor: have been appointed for 3 years.*
  - *The Municipality was reallocated and additional R 30 Million on MIG to implement additional projects.*
  - *R15 Million is for refurbishment of sports facilities.*

#### **Financial health overview**

***The Municipality enjoys healthy financial status in terms of grants.***

- ***What are the plans in place to collect revenue?***
  - *The draft revenue enhancement strategy will go to council for approval.*
  - *Offering discounts to customers who want to pay 50% of debts owed to the municipality.*
- ***Why don't we commit the cash at hand or previous balance town funded projects?***
  - *The cash at hand also form part of our sources of funds that funded the budget.*

#### **Organizational Development Overview**

***The Municipality approved its Organizational Structure, for the period under review the Municipality battled to fill top Management positions.***

- ***What are the plans in making sure that the positions are filled before the end financial year?***



- The post for Director Community Services and Municipal Manager were vacant during the period under review.

#### **Plans**

- The post for the Director Community Services and Director Planning and Development had been re-advertised and the shortlisting will be done first week of April 2017.
- The position for CFO, Director Corporate Services have been interviewed from 20-22 March 2017.
- The Municipal Manager position has litigation but we have started to engage the Attorney in the issue.

#### **IDP and Public Participation**

- ***What are the plans in place in making sure that communities are fully participating in relation to service delivery e.g. submitting comments in relation to publicized Municipal documents?***
- To ensure that the public participate and give inputs on service delivery, as a municipality we issue notices and paste it in different communities, announce done through community radio station and councillors convene feed back meetings in all our wards. We also have sectorial outreach programme by the office of the mayor including Imbizo's. The IDP process is also consultative in nature as various clusters and various stakeholders are met in order to consolidate their inputs on the development of IDP which is a service delivery instrument.
- IDP process has been approved and adopted by the council.

#### **Risk Management**

- ***When will appropriate risk management activities be implemented?***
- Quarterly through AC committee and Risk committee.
- ***Are formal risk assessments undertaken on a regular basis?***
- Assessments are done quarterly and as and when new risks are identified.
- ***If a risk assessment were performed did management respond to risks identified with applicable corrective actions which include a fraud prevention plan?***
- Implementation of some risk depends on the availability of the budget.
- Risk registers are in place for both operational and strategic; monitoring is conducted on a monthly basis.

#### ***When is management appointing Risk Manager?***

- Appointment of a Risk Manager was done, however the appointed candidate declined. Therefore the position is to be re-advertised.

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**Public satisfaction on Municipal services**

- ***When is the municipality going to do formal public participation surveys?***
  - *In the next financial year.*

**By-laws**

- ***How is the municipality doing with by-laws enforcement?***
  - *The Municipality is currently under staffed in terms of By-laws enforcement officers; however the Municipality will be appointing Traffic Officers in the implementation of By-laws.*

**Anti-Corruption and Anti-Fraud and Anti-Corruption strategy**

- ***Is the municipality aware of any fraud, suspected fraud or allegations during the year? [yes/No] provide details if any.***
  - *Yes, there was one fraud case in relation with petrol cards, is currently under investigation.*
  - *Disciplinary processes are underway.*
- ***What procedures /processes have management implemented for identifying and responding to the risks of fraud in the Municipality?***
  - *Developed a Risk register and relevant committees.*
  - *Internal Audit assists in that regard.*

**Integrity and Ethical behaviour**

- ***Does the Municipality use a formal code and other policies communicating appropriate ethical and moral behavioural standards and addressing acceptable operational practices and conflicts of interest?***
  - *Use of formal codes and other policies*
  - *A code of conduct is inducted to all municipal employees on appointment. Employees sign the code of conduct on receipt thereof.*
- ***Are the codes/policies periodically acknowledged by signature of all employees?***
  - *Policies are approved and adopted by council.*
  - *During the period under review, codes/policies were not acknowledged by employees; however, we are in the process of undertaking awareness on the codes and policies. For future we are intending to undertake such awareness once per financial year.*
- ***Does the Municipality have a disciplinary policy in place?***
  - *The municipality utilized the Labour Relations Act in dealing with disciplinary procedure. The Disciplinary Collective Agreement had since lapsed in June 2016.*

**Water Provision**

- *How much did we receive from Mopani for operation and maintenance as a water services provider?*
- *The municipality did not receive any money from Mopani District Municipality.*

#### **Waste management**

- *When is the Municipality going to roll out solid waste services to villages?*
- *The municipality currently does not have capacity (i.e. plant, personnel, waste disposal facility) to roll out solid waste services to villages. It will become a challenge to extend waste collection services to villages since the municipality does not have a landfill site because there will be nowhere to dispose of the waste. As such, refuse removal will be extended to villages upon completion of the landfill site. The development of the landfill site is planned to start in 2017/18 financial year.*
- *In the interim, the municipality does street litter picking on an ad hoc basis to service the main roads.*
- *Once a new Landfill site is developed the service will be rolled out through the transfer station on strategic village.*

#### **Free Basic Services Indigent Support**

- *What is the cut off amount for indigent earning as per Municipal indigent policy?*
- *R1, 850 per month.*

### **IMPLEMENTATION OF THE SDBIP TARGETS**

#### **KPA 1: Spatial Rational**

##### **Formalization of Risinga**

- *What measures taken by the Municipality to ensure that mediation process is facilitated to ensure the completion of the formalization of Risinga?*
- *The Municipality will be completing the project by the end of financial year.*

##### **Approved General Plan for Shikukwana**

- *What measures were taken by the Municipality to ensure that mediation process is facilitated to ensure the completion of the approval of the survey general for Shikukwana?*
- *The project will be completed by the end of financial year.*

##### **Town Expansion of Ngove area**

- *What measures taken by the Municipality to ensure that mediation process is facilitated to ensure the completion of the expansion of Ngove area?*



- The Municipality has undertaken benchmarking exercise with Rustenburg Municipality on the model of Land-use agreement; we are still waiting for relevant document or Service Level Agreement from Rustenburg.

*There is delay in signing an agreement to release village*

- *What measures taken to make sure that the land is released?*
- *A benchmarking exercise to effectively address this issue.*

## **KPA 2: Municipal Transformation and Organization Development**

### **Portfolio Committee**

- *Was there a catch up plan to make sure that Portfolio Committee meetings are held?*
- *Management took a resolution that the Portfolio Committee secretaries are expected to submit the copy of attendance for all portfolio committees to Corporate Services so as to see which Portfolio Committees are lacking behind.*
- *Department ensures that committees are sitting in line with corporate calendar.*

### **Training of Officials**

*The Municipality planned to train 209 officials and it is reported that only 177 officials were trained in 2015/16 financial year.*

- *What is the plan to make sure that municipal officials are capacitated in terms of training?*
- *The Training Division issued a request to various directorates for them to make proposals of the type of training needed for their officials, based on the proposals a Work Skills Plan was then developed, which became the document utilised for the implementation of trainings.*
- *How did we utilize the allocated budget that was meant for training?*
- *The budgeted amount was 1 Million Rands, the amount used is 830 774.41 which makes 83, 07%.*

### **Implementation of PMS at lower levels**

*The Municipality planned to conduct 4 assessments on 38 employees (20 Managers and 18 Senior Practitioners and it are reported that only 3 managers in the office of the municipal manager were assessed.*

- *How are managers and senior practitioners held accountable in terms of performance if assessments are not conducted as planned?*
- *At the moment a monthly reports which cover the SDBIP and additional reports are submitted to departmental meetings and management. The SDBIP has various targets for particular periods which makes it easier to evaluate whether targets are met or not.*



- The municipality is having some difficulties in cascading Performance Management, which relates to training on PMS. Moving forward it will be appropriate that training on PMS be arranged before the end of 2016/2017 financial so as to ensure that implementation is done beginning of the next financial year.
- **What is the plan in place to make sure that assessments are conducted in 2016/17 financial year?**
- Moving forward it will be appropriate that training on PMS be arranged before the end of 2016/2017 financial so as to ensure that implementation is done beginning of the next financial year.

#### **Local Labour Forum Meetings**

- **It is noted that LLF meetings were not held as planned, What is the plan in place to make sure that the meetings are held as per the plan and Labour issues are attended to avoid Labour unrest?**
- The municipality has developed a schedule of Municipal Calendar of events; however, to avoid any unforeseen clutches of meetings, members are consulted to confirm the availability on the date of the meeting before invitation is issued.

#### **Litigation cases finalized**

- **How many legal cases are pending against the municipality?**
- **Can management provide MPAC with the litigation report and the costs incurred to finalize the cases?**

#### **Provisioning and supply of IT equipment**

**It is reported that only three payments for leased desktop and laptop computers was done instead of four due to the expiry of the lease during mid- February.**

- **Why was the new lease not entered to before the expiry of the old lease?**
- The management have noted the mistake that it should have entered into a new lease agreement immediately when the previous one lapsed, however it was inserted in the new procurement plan of which it was advertised but failed to appoint due non-compliance by the Service Providers. The re-advert was done pending finalization of procurement processes.
- **What are plans in place to make sure that work is not compromised due to unavailability of the new lease?**

#### **KPA 3: Infrastructure Development and Basic Services**

*MPAC identified that most of the reported unachieved targets were due to confirmation by Eskom in energizing, none responsive bidders, additional scope of work, and budget constrain*

- *How is the Municipality addressing the identified problems to fast track service delivery?*
- *Forward planning: The municipality has a pool of consultants for Civils and Electrical Projects to assist in fast tracking service delivery.*

#### **KPA4: Local Economic Development**

*The strategic objective of the KPA 4 is to create an enabling environment for sustainable economic growth*

*The Municipality failed to launch Agricultural and Tourism fora and also failed to develop and implement business attraction and retention strategy.*

- *What is plan in place in making sure that all forums are launched and functional?*
- *The Municipality has lodged the LED Forum during the Economic Summit, Tourism Forum is fully sectional and we are in the process of re lodging Agricultural Forum.*
- *What is the plan to develop and implement business attraction and retention strategy?*
- *The Municipality is in the process of developing second phase of the master plan which will serve as a retention strategy of the municipality.*

#### **KPA5: Financial Viability**

*MPAC has identified that most challenges in this KPA is due to under staffing, late appointment of service providers, revenue collection and spending of the operational of budget.*

- *A lot of positions have been advertised and most are filled currently to assist the Municipality in SCM.*

*What is the Municipality doing in making sure that the identified problems are attended to or resolved?*

- *Revenue collection, the enhancement strategy and discounts as mentioned above will address the issue.*
- *Other revenue streams are being explored by the Municipality to improve revenue.*

#### **KPA 6: Good Governance**

**The strategic objective is to develop governance structures and systems that will ensure effective public consultation and organizational discipline**



- ***Why is the Municipality failing to fully implement the AGSA Action plan, Internal Audit action Plan and the Risk Management Plan ?***

AGSA

- *The Municipality was waiting for Auditor General to conclude the audit for 2015/16 since some of the recommendations can only be implemented after the audit. It should be noted that the Audit report was issued late by the Auditor General.*

Internal Audit Action Plan

- *Internal Audit issues recommendations on a going basis; however management has able to address up to 74% of the recommendation.*

Risk Management Plan

- *Some actions on the risk register require funding, due to financial constrain the Municipality was unable to implement to all actions.*

- ***What is the plan to address all findings raised by both Internal Audit and AGSA?***

- *Draft audit action plan have been drafted to address all issues raised by AGSA and Internal Audit. Follow-up audit will be conducted to verify if recommendations have been implemented or not.*

- ***Programs in the office of the Mayor are not fully implemented, is the Municipality not having the schedule for the forums in the office of the Mayor?***

- *A number of programmes may have not been implemented because they have just been launched.*

- *Aids council (local)*
- *Gender forum*
- *Men's forum*

*All the above have just been launched.*

*We are still awaiting the District and Province to assist in the launching of the local youth council (SAYC).*

*It must be noted that all this does not prevent us from giving support on health, youth, disability and old age programmes other than schedule of their forums meetings.*

**Public satisfaction on municipal services**

***We have implemented the survey by taking out forms to the public for comments and the municipality is/will be assisted by their submitted if needed.***

- *We have implemented the Survey by taking out forms to the public for their comments and the municipality will be assisted by the comments. The report will be submitted if needed.*



## AUDITOR GENERAL'S REPORT

### Record Management

- *All the qualifications paragraphs relate to the non-submission of audit evidence. As supporting documentation is the basis for all accounting transactions and good governance, what assurance do you have that the accounting records of the municipality are indeed reliable?*
  - *All requested supporting documentation has been submitted, finding raised by Audit General was adequate system which lead to qualification on completeness and valuation of the land.*
- *What control measures have subsequently been implemented to improve your document management system to ensure that audit evidence is available for all transactions when compiling the financial statements?*
  - *Record management is currently investigating ways to manage records.*
  - *IT is being capacitate to move to soft copies to documentation.(Mscosa)*

### Property Plant and equipment

*Audit General's report states: "I identified land belonging to the municipality that was not accounted for in the accounting records of the municipality. Furthermore I identified that the valuation method applied on some of these properties owned by the municipality on initial recognition was not in accordance with SA standards of GRAP 17, property, plant and equipment, resulting in incorrect values being derived. As the municipality did not have an adequate system of recording and I could not confirm these values by alternative means. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment stated at R 524 131 955 (2015:R 449 848 012) as disclosed in the financial statements were necessary.*

*The municipality did not review the useful lives of property, plant and equipment at each reporting date in accordance with the Standards of Generally Recognised Accounting Practice, GRAP 17, Property, Plant and Equipment. The municipality's record did not permit the application of alternative audit procedures. Consequently, the impact on the carrying value of property, plant and equipment and corresponding effect on accumulated surplus in terms of GRAP 3, Accounting policies, change in accounting estimates and errors as disclosed in note 3 to the statement of financial position could not be determined.*

*There is an unexplained difference of R42 821 677 between the balance of property, plant and equipment disclosed in note 3 to the annual financial statements and the underlying accounting records. Consequently, property, plant and equipment is misstated by R 42 821 677. I could not determine the effect on the other account balances or class of transactions contained in the financial statements."*

- *It is a trend that has been observed in the previous Auditor General Report that this is a continuous qualification statement. What is the correct method*

*used for evaluating the Property Plant and Equipment according to the GRAP 17?*

- *The municipality has adopted the Cost Model as a valuation method for PPE.*
- *How will the accounting officer ensure that the root cause of the qualification which is poor record keeping be dealt with?*
- *mSCOA will play an important role in assisting us with financial record keeping.*
- *Who approves the adjustments as there were no supporting documents?*
- *The Accounting Officer in consultation with the CFO.*
- *How was the evaluation of land done without supporting documents?*
- *Service providers were appointed to assist us with the exercise.*
- *Does the municipality have the property evaluator?*
- *No.*
- *Was the GRAP 17 followed in the process of providing the value of the land?*
- *The standard was correctly applied; the issue related only to value arrived at as disclosed.*
- *How were these figures arrived at?*
- *It was based on available information as used by the service providers contracted.*
- *How is the municipality going to deal with the matter of record keeping?*
- *mSCOA will play an important role in assisting us with financial record keeping.*
- *Was the application of GRAP 17 followed when disclosing work in progress regarding in reporting on disclosure of work for Property Plan and Equipment?*
- *The standard was correctly applied. The issue was that some projects were completed during the year and only for completion certificates to be issued in the following year. This resulted in the projects being classified under WIP whereas they were ready for use as they were complete at year end.*
- *Are there any disciplinary action taken concerning the matters of reporting compliance to the Auditor General?*
- *AG has recommended condesquency management strategies that can be used in any issue.*
- *What control measures have been implemented to ensure compliance with SA Standards of GRAP, GRAP 17 Property, plant and equipment?*



- New service providers have been appointed to assist in this regard.
- Manager Assets have also been appointed which will assist in addressing these issues.
- *Who assisted us with the preparation and updating of asset register and what action was taken against them for this underperformance?*
- *Musanda Chartered Accountants, their contract ended and a new service provider has been appointed.*

#### Cash flow statements

*The AGASA's finding state "The financial statements were materially misstated due to material uncorrected misstatements in the following item disclosed in the cash flow statement:*

- *Receipts from operating activities were understated by R520 151.*
- *Payments from operating activities were overstated by R3 871 501.*
- *Purchases from investing activities were understated by R 6 330 615.*
- *Changes in working capital from operating activities were overstated by R7 246 250."*
- *What is preventing the accounting officer from providing accurate information on cash flow statement for auditing?*
- *The issue relates to the fact that the AFS were not properly reviewed as they were finalized on the last day of submission.*
- *How will this non-compliance be attended to?*
- *Current AFS will be finalized earlier so that they can go for quality review before submission to AGSA.*
- *What monitoring controls have been implemented to ensure that the municipality's calculation of cash flows appropriately accounts for non-cash items in the cash flow statement?*
- *Development of AFS process plan.*
- *Reviewal of the AFS before submission to AGSA.*

#### Irregular expenditure

*Auditor general's report state: "As disclosed in note 41 to the annual financial statement, irregular expenditure to the amount of R13 141 430 were incurred in the current year as the municipality procured goods and services without following supply chain management regulation."*

- *Why is there no proper documentation of irregular register? How was it that all irregular expenditure was not disclosed? Are there any internal control systems in place to monitor and prevent irregular expenditure?*



- *The systems are there and such expenditures are being reported on SCM monthly reports.*
- *Capacity issues will be resolved as key staff members are being appointed in the section.*
- *Has the irregular expenditure incurred in the current year and from prior years been investigated and dealt with in terms of section 32 and chapter 15 of the MFMA? Please submit full details of all the steps taken in this regard.*
- *Such investigations must be conducted by MPAC.*
- *What was the root cause of the irregular expenditure and how is it being addressed?*

#### **Restatements of corresponding figures**

- *What is the nature of the said restatements of corresponding figures?*
- *See attached document (A).*
- *What was the root cause of the material impairments and how is it being addressed?*
- *There are different contributing factors to impairment, such as natural causes, etc.*

#### **Annual financial statements**

- *Who is preparing our Annual Financial Statements, is it internal staff or a contractor?*
- *For 2015/16 Financial year, the AFS were prepared by CAMELSA Consulting Group.*
- *In a case of a contractor, how much did the municipality pay for that service since contracted?*
- *R2 905 890.*
- *Why were the “material misstatement” on the AFS identified by the Auditors were not corrected and supporting documents not submitted in compliance to section 122 of the MFMA?*
- *AGSA did not approve the processing of proposed adjustments.*
- *What steps has the accounting officer taken to ensure that correct AFS are prepared on a monthly basis, in order to adhere to the legislation? And that appropriate supporting documents are filed in preparation of the next audit?*
- *The best practice is to prepare AFS on a quarterly basis, however the municipality does not have capacity to can prepare these quarterly AFS, hence the AFS are prepared annually and the service being outsourced.*

- *What action plan has management decided on to address the non-compliance the above non- legislation*
- *Policies are being reviewed to ensure proper alignment with relevant legislations.*

**Annual financial statements and annual report**

- *How was it that the Auditor General be submitted with financial statements that were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA? The misstatements were found not to be corrected and supporting documents of the financial statements were not provided. Why is the annual financial statement submitted without supporting documentation? How will the accounting officer ensure that the next financial statements for submissions will have all the necessary reports?*
- *The issue relates to the fact that the AFS were not properly reviewed as they were finalized on the last day of submission.*
- *What further monitoring controls have been implemented to detect and correct misstatements in the financial statements before submission for audit, as this matter was also raised in the prior year?*
- *The issue relates to the fact that the AFS were not properly reviewed as they were finalized on the last day of submission.*

**Procurement and contract management**

- *Explain the awarding of contracts based on points given as stipulated by the MFMA. Why did the Auditor General find that compliance with SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulation on contracts awarding had no sufficient audit evidence that the law was followed as prescribed? In terms of section 29 (1) (ii) and (5) (a)(i) of the Supply Chain Management Regulation states that, the Bid Adjudication Committee must – consider the report and recommendations of the Bid Evaluation Committee; and make another recommendation to the accounting officer how to proceed with the relevant procurement and if a bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the dib adjudication committee must prior to awarding the bid –*
  - (i) *check in respect of preferred bidder whether that bidder's municipal rates and taxes and municipal services charges are not in arrears; and*
  - (ii) *notify the accounting officer*



The Bid Adjudication Committee's recommendations were also based on ECSA Gazetted fees structure for this magnitude of the project basic fees, that is, estimated to be R 5,2M. Therefore, recommended service provider fees were line with Gazetted fees and that was as a result of avoiding variation order or the likelihood of the projects not being completed or the quality being compromised during the implementation of the project.

Considering the definition of value for money which is, the first pillar of procurement that stipulates, price alone is often not a reliable indicator and the municipality will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements. Best value for money means the best achievable outcome when all relevant costs and benefits over the procurement cycle are considered.

- **How will the accounting officer prevent this in future?**
  - In case of inconsistencies of bid reports the Accounting Officer must refer the report back to BAC and BEC for further considerations.
- **How will the accounting officer ensure that the thresholds for local content on designated sectors procurement will be implemented fully as per the requirements of the preferential procurement regulation 9?**
  - The municipal bidding document requires all the bidding service providers to declare their local content on designated sectors as required by preferential procurement regulation 9 and that is 100% implemented by the municipality.
  - The Municipality is currently implementing CSD.
- **Why did the accounting officer not monitor the implementation of the preference point system that is to be applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential procurement Policy Framework of South Africa**
  - The municipality, through SCM section does implement section 2A of the PPPF.
  - For the procurement of goods and services that are above 30 000 the unit applies the procurement point system.
- **Which Directorate is responsible for monitoring contractors?**
  - Supply Chain Management unit and Project Management Unit are responsible for the management of contracts.
- **Why were the responsible officials not monitoring and reporting monthly on the contractors as required by the section 116(2) (b) of MFMA? How does the administration certify quality of work done by the contractors? How is the municipality applying the retention clause in the contractors awarded?**



*What procedures and systems have been implemented to monitor the contractors in future?*

- *On a monthly basis the municipality meets with the service providers to get the status of the projects and also projects sites visits by Project Management Unit.*
- *Why was the Auditor General not provided with appropriate evidence that contracts were awarded to SARS tax compliant companies as required by SCM regulation 43? Who approved tax non-compliant contracts? How will the accounting officer ensure that all contracts awarded are tax compliant?*
- *AGSA was provided with the necessary documents.*
- *No one approves non-compliant contractors.*
- *Currently we are complying with SCM regulation 43*

#### **Expenditure Management**

- *What is the root cause of the accounting officer not taking reasonable steps in preventing unauthorised, irregular, fruitless and wasteful expenditure? What steps will the accounting officer take to prevent unauthorised, irregular, fruitless and wasteful expenditure as required by section 62(1)(d) of the MFMA?*
- *What action plan has management decided on to address the non-compliance the above non-legislation*

#### **Asset Management**

- *What prevents the implementation of an effective system of internal control for assets as required by section 63(2)(c) of the MFMA.*
- *The municipality's Asset Management Policy was not properly aligned with the relevant legislation.*
- *What action plan has management decided on to address the non-compliance the above non-legislation*
- *The Asset Management Policy will be reviewed in order for it to be aligned with relevant legislation.*

#### **Leadership**

- *Has the accounting officer received recommendations from the Auditor General on improving leadership in the municipality and accountability? What is the root cause of the municipality not effectively implementing corrective measures to improve the control environment particularly the*

- *Have you established and communicated policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities?*
  - *Yes, the municipality inducts employees on policies developed.*
- *Have you developed and monitor the implementation of action plans to address internal control deficiencies?*
  - *The Supply chain officials have signed the declarations forms, and the officials who sit on bids committees signed the declarations forms, and all managers have signed the declaration of interest.*
- *Does the municipality have IT governance framework that supports and enables the operations, delivers value and improves performance?*
  - *The Municipality have IT Strategy document formerly known as IT Master Plan, this is the document that outline the road map of IT over a certain period (3/5 years). It ensures that IT objectives are aligned with the objectives of the Municipality.*

**Financial and performance management**

- *What prevents the management from implementation of monitoring controls to prevent errors in the accounting and management of records?*
- *What prevents regular reviews and reconciliation being performed to detect and correct errors in a timely manner? Is the responsible official(s) not competent adequately? What steps have been taken to correct this problem?*
- *Why is there no effective record-keeping system that ensures that information is retrieved within reasonable time and that the financial statements and performance report are supported by valid and accurate documents? How will this issue be addressed by the accounting officer?*
- *The AGSA Action Plan seems not to be taken seriously and there is a lack of ongoing monitoring of the plan. How will the implementation and reporting of the current Action Plan be improved to ensure improved control environment?*
- *As at the June 2016 what was the status regarding the implementation of AGSA recommendations from prior year audit?*



- *What is current status regarding the implementation of AGSA recommendations?*
- *Have you implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting?*
- *Have you implemented controls over daily and monthly processing and recording of transactions?*
- *Does the municipality prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information?*
- *Have you designed and implemented formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.*
  - *There are network access forms that are used to give user permissions to access the Municipal network and should the user also require access to the systems (Financial systems) the user has to complete another form which is approved by the supervisor entailing what the user has to access on the system.*
- *What control measures have subsequently been implemented to ensure that all prior year matters are addressed before finalizing the financial statements?*
- *Have these corresponding figures subsequently been investigated and corrected?*

#### Governance

- *Has the accounting officer received recommendations identified by the internal audit unit and the audit committee?*

#### Governance

- *Yes, Internal Audit recommendations and audit committee resolution are presented to Management meeting in the presence of the Accounting Officer as well as affected departments.*
- *Why has it been observed that there is a lack of cooperation and responsiveness by management to key recommendations?*
- *When will combined assurance framework be finalised and implemented by management?*
- *What is current status regarding the implementation of Internal Audit Recommendations and Audit Committee recommendations*



Current status regarding Internal Audit Recommendation

- 74% of Internal Audit recommendations implemented.

Audit Committee Resolution

- 78% of Audit Committee resolution implemented.

- Have you implemented appropriate risk management activities to ensure that regular risk assessments including consideration of IT risks and fraud prevention are considered and that a risk strategy to address the risks is developed and monitored?

- How did you ensure that there is an adequate resources and functioning internal audit, performance management unit and risk management unit that identifies internal control deficiencies and recommends corrective action effectively?

Adequate resources and functioning Internal Audit

- Internal Audit has been established in terms of section 165 of the MFMA current structure is as follows:

Manager Internal Auditor

Senior Internal Auditor

Internal Auditor

Adequate resources and functioning Risk Management

- Risk Management has been established in terms of section 62 of the MFMA current structure is as follows:

Senior Risk Management Officer

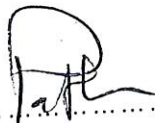
- Manager Risk in the process of appointing (Interviews conducted)

Investigations

What is the current status regarding the ongoing and complete investigation against some municipal officials?

- The disciplinary hearings are proceeding.

Coordinated and Compiled by Management



MR. MATHEBULA P M  
ACTING MUNICIPAL MANAGER

22/03/2017  
DATE