

2010/11 OVERSIGHT REPORT ON 2010/12 ANNUAL REPORT

1. INTRODUCTION

Municipalities are expected to ultimately approve an annual report for the previous financial year by 31 March 2012 after having adopted the Oversight Report. The whole process of adopting is done in the light of the Municipal Finance Management Act.

2. RESOLUTIONS AND STATEMENT REQUIRED BY SECTION 129(1) OF THE MFMA

The Municipal Public Accounts Committee (MPAC) having fully considered the annual report of the municipality and representations thereon submits the Oversight Report and recommends that Council further approves the Annual Report without reservations.

3. SUMMARIES OF COMMENTS AND CONCLUSIONS ON THE ANNUAL REPORT

The members of Municipal Public Accounts Committee (MPAC) analysed the Annual Report and stated that the following be revised:

- Number of wards: The number of wards has increased from 74 to 79 since the last local government actions.
- Names of councilors: The capturing of the chairpersons of the Portfolio Committees should be done in the light of the old members to reflect the past and current chairpersons as new Chairpersons were appointed 3 weeks before the Financial year end.
- Project Management: Almost 43 % of the projects were not completed which creates roll over projects. MPAC noted the reasons for the slow spending owing to projects that have a long delivery period of time.
- List of restricted service providers be communicated to other local municipalities to ensure that local municipalities do not appoint restricted service providers.
- Salaries and wages budget is 35, 8% which is above the norm and has to be managed downward effectively in the future, however MPAC noted the possibility of the % increasing at the end of June 2012.
- Appointment of officials of the political office bearers must be linked to the term of the political office bearers.

4. ANNEXURES

- Copies of Minutes.
- Responses to questions provided by the Accounting Officer.
- 2010/11 Annual Report.
- Council item on Annual Report.

5. RECOMMENDATIONS

1. That Council adopts the Oversight Report on 2010/11 Annual Report.
2. That Council approves the Annual Report without reservations.

MINUTES OF THE FIRST MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) MEETING HELD ON 06 MARCH 2012 AT 14H00 IN THE MUNICIPAL COUNCIL CHAMBER

1. Opening and welcome

The Chairperson, councillor LC Kganyago opened the meeting at 14H15 and welcomed all the members present. He further encouraged them to participate actively since the annual report was delivered at least seven days before the meeting.

2. Purpose

The chairperson emphasized that the purpose is to analyse the 2010/11 Annual Report and submit an Oversight Report which will be considered by Council.

3. Members present

8 of 10 members were present and no apology was received from those who were absent. Attached as annexure is the attendance register.

4. Discussions of the Annual Report

The Accounting Officer was requested to take the members through the report and thereafter put questions to him. By and large the checklist was used to verify the content of the annual report. By further perusal, he members identified the following few mistakes that needed to be corrected.

- **Number of wards-** The members observed that the number of new wards was not captured.

It was resolved that the new wards be captured to reflect that the wards changed from 74 to 79.

- **Inconsistent capturing of Council members:** The report has captured both the new chairpersons of the Portfolio Committees and new members
- **Poor implementation of project:** It was observed that some of the 2010/11 projects were not completed.

It was resolved that management should start their SCM processes earlier in order to improve on CAPEX in the future

- **The purchase of Mogalakwena New Pumper-** It was resolved that it be treated as a roll over project.
- **Construction of Lephalale Disaster Management Centre-** It was mentioned that it was one of the projects which were badly managed in the past and the work of the service provider was not only delayed but it was of poor quality.
- **Missing information on certain roll over projects.** A few roll over projects were without complete information. It was resolved that complete information on them is provided.
- **Personnel expenditure-** A concern was raised about the 35, 8% salaries and wages-which expenditure was above the national norm of 33%.
- **Annual Financial Statements-** The issues of overtime, travelling allowance were only identified without being interrogated further.
- **Audit Committee Report-** No comment except to say that old committee was replaced by the new one in August 2011.
- **Auditor General Report-** No comment since the report was clean.
- **Public Comments-** Although the invitation for inputs was extended to the public in the form of local newspaper advertisement until 23 February 2012, the Office of the Municipal Manager did not receive any representations in writing in that regard.

RESPONSES TO QUESTIONS PROVIDED BY THE ACCOUNTING OFFICER.

- **Inconsistent capturing of Portfolio Committee Members**

The Accounting Officer explained that in order to reflect the status of portfolio committees as on 30 June 2012, the portfolio committee chairs were appointed on 3 June 2011 but the members were only appointed in June 2011.

- **Poor implementation of IDP projects.** The Accounting Officer conceded that the low CAPEX is the result of the SCM processes and the fact that most of firefighting and disaster management equipment's are bought overseas. In that way the turnaround time for delivery of equipment and vehicle is more or less 8 months.

It was further explained that in the future the SCM Procurement Plan on projects will be drafted immediately after tabling the IDP/Budget in order to allow the processes of advertisement of tenders to be started earlier.

- **Lephalale Disaster Management Centre-** the Accounting Officer responded that 92% of expenditure is attributable to the item of telecommunication which was still outstanding then. He further committed himself to solicit a report on the leaking of the centre with a view of correcting whatever is problematic with the centre itself
- **Personnel expenditure-** It was explained that the salaries and wages budget is a matter of grave concern since it has the potential to grow even to 40%. In the future. The 35, 8 % was at this stage caused by appointment of 1 extra full time councilor and absorption of officials linked to the political bearers' position, in particular the Office of the Executive Mayor.

Regarding the officials employed in the Political Office Bearers, the Accounting Officer stated that from experience, the municipality has committed itself to linking their appointments with the term of office.

TO: Council

REPORT OF THE MUNICIPAL MANAGER

2010/12 ANNUAL REPORT

1. PURPOSE

The purpose of the report is to submit the Oversight Report and further request council to approve 2010/11 Annual Report.

2. LEGAL REQUIREMENT

Section 129(1) of the Municipal Finance Management Act provides that

3. BACKGROUND, FACTS AND PROPOSALS

The Draft 2010/11 Annual Report was tabled to Council on 13 January 2012 within the timeframes of the MFMA. After tabling it, the abovementioned report was referred to the Municipal Public Accounts Committee for consideration.

The public comments were invited from 10 February until 23 February 2012 which translated to more than 10 working days. It is submitted that no written representations were received from the public.

Since the tabling a number of corrections were affected and the draft report was also submitted to the National Treasury, Provincial Treasury and Department of Corporate Governance, Human Settlement and Traditional Affairs. A comment regarding the mistake about the Mogalakwena Medium Pumper from the Provincial Treasury was corrected.

The MPAC successfully held its first meeting on 06 March 2012 to consider the report as mandated by the Council. The checklist of the MFMA Circular 32 was also used to verify the content and structure of the report. Attached as annexure are the minutes and the Oversight Report which explain the process and the issues which were raised.

In general the MPAC was satisfied with the report and ready to submit to Council provided that the certain parts were revised. It was agreed that a

second meeting be convened to confirm if the report was revised. Once the MPAC had satisfied itself with the report, then it could submit to Council with a view of approving the Annual Report without reservation. Such a submission would be in line with the fact that the municipality was able to receive a clean audit from the Office of the Auditor General.

4. STAFF IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

Vote will be used to print copies of 2010/11 Annual Report.

6. OTHER PARTIES

- Public
- Municipal Public Accounts Committee
- Section 56 Managers

7. ANNEXURES

- Oversight Report
- Minutes of the Municipal Public Accounts Committee
- Final 2010/11 Annual Report
- MFMA Circular 32 of 2005

8. AUTHORITY

- MFMA Circular 32 of 2005
- Municipal Finance Management Act

9. RECOMMENDATIONS

1. That Council having fully considered the Annual Report adopts the Oversight Report on 2010/11 Annual Report.
2. That Council approves the 2010/11 Annual Report without reservations.