

REPORT BY THE MUNICIPAL OVERSIGHT

1. PURPOSE OF THE REPORT

The purpose of this report is to enable Council to approve the Oversight Report on the Annual Report Of 2012/13 as submitted by the Municipal Public Accounts Committee (MPAC) in terms of Section 129 of the Local Government: Municipal Finance Management Act (Act No 56 of 2003) (MFMA).

2. Background

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

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

3. STRATEGIC INTENT

Organizational Transformation and Good Corporate Governance

4. LEGISLATIVE MANDATE FOR THE OVERSIGHT REPORT

4.1 Section 129 (1) of the Municipal Finance Management Act (Act No 56 of 2003) states that the Council of the Municipality must consider the Annual Report of the Municipality and by no later than two months from the date on which the Annual Report was tabled in the Council, 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;
- Rejected the Annual Report; or
- Has referred the Annual Report back for revision of those components that can be resolved.

Other relevant pieces of legislation that the committee considered included the following:

4.2. Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) Chapter 6, as read with the Local Government: Municipal Systems Amendment Act, 2003 (Act 44 of 2003).

4.3. Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)

5. ROLES AND RESPONSIBILITIES OF MPAC

MPAC 's are established in terms of section 79 of the Municipal Structures Act (Act 117 of 1998) ,and perform an oversight function on behalf of Council .They are not a duplication of other committees of Council ,such as ,the Finance committee or that of the Audit Committee .

The statutory framework further includes section 129 of the Municipal Finance Management Act (MFMA) No 56 2003,the Constitution of the Republic of South Africa ,the Municipal systems Act no 32 also serves as reference and further provides earlier guidance on the oversight process that councils must follow when considering the Annual Report and producing and oversight Report.

6. PURPOSE OF THE OVERSIGHT REPORT

5.1 The Oversight Report is clearly to be distinguished from the Annual Report. The latter is submitted to the council by the accounting officer (MM) and the Executive Mayor and is part of the process of the executive and administration discharging its accountabilities. The Oversight Report is a report of the municipal council in its Oversight and monitoring role.



5.2 In order to approve the Annual Report without reservations, council should be able to agree that the information contained in the report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon.

Approval means that the executive and administration have discharged in full their accountability for decisions and actions and that their performance meets the criteria set by performance objectives (i.e. performance agreements and the SDBIP).

3.3 The oversight and monitoring duties of the council as set out in the MFMA are also Intended to ensure that the Annual Report is a quality document and meets all the Information provisions of the MFMA, MSA and as well as the relevant MFMA circulars.

7. THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The appointment and compilation of Council's Municipal Public Account Committee in June 2011, was handled in terms of Section 127(3) of the Municipal Finance Management Act and Section 79 of the Municipal Structures Act.

8. PROCESS PLAN AND TIMEFRAME FOR THE ADOPTION OF THE OVERSIGHT REPORT AND THE ANNUAL REPORT

ACTIVITY	RESPONSIBILITY	TARGET DATE
Council Mandates MPAC / Oversight Committee to evaluate the Annual Report.	Council	28 March 2013
Advertise the availability of the Annual Report for Comments	Accounting Officer	28 March 2013
Submit a copy to Provincial Department responsible for Local Government and the Office of the Auditor General	Accounting Officer/IDP/PMS Manager	28 March 2013
1st Meeting of the MPAC / Oversight Committee	MPAC Chairperson	28 May 2013
Last date for the submission of Comments and Public Participation Process	Accounting Officer/IDP/PMS Manager	24 January 2014
2. Second Meeting of the MPAC/ dispatching of management questions	MPAC Chairperson	18 November 2013
Submission of responses and recommendations by the Accounting Officer	Accounting Officer	09 March 2014
2nd Meeting of the MPAC / Oversight Committee: Discussion of the management responses and Draft Oversight Report.	MPAC Chairperson	19 March -2014
Recommendation for the Adoption of the MPAC / Oversight Committee Report by Council	MPAC Chairperson	28 March 2014



Adoption of the MPAC / Oversight Committee Report	Council	28 March 2014
Make Oversight Report Public	Accounting Officer/IDP/PMS Manager	02 April 2014
Submit minutes of the meeting to the Auditor-General	Accounting Officer/IDP/PMS Manager	28 March 2014
Submit Oversight Report to Provincial and National Treasury	Accounting Officer/IDP/PMS Manager	
Submit Oversight Report to Provincial Department responsible for Local government	Accounting Officer/IDP/PMS Manager	

8. PUBLIC COMMENTS.

Copies of the annual report were also placed at various municipal centres and the public was encouraged to consider the reports and to submit their comments thereto. Regrettably no comments were received from the public. **(See Attached advert marked Annexure A)**

9. SALIENT POINTS NOTED BY MPAC

The committee commenced its oversight work on the 2012/13 Annual Report in earnest on 28 May 2013. The specific focus areas of the exercise included inter alia ,the Auditor General findings for the period under review, Annual Financial Statements, Performance Information and a cross-reference to the 2011/12 Oversight Report , interviews with management ,the relevant legislation and regulations.

It can be reported further that the committee as part of its oversight work also visited several projects that are reported on in the Annual Report. Interview sessions with the management were also conducted. **(See minutes attached hereto and marked Annexure A1)**

10. DELAYED FEEDBACK FROM MANAGEMENT

The committee wishes to record its concern about management's apparent inability and/or failure to cooperate with the committee and to enable it to carry out its mandate. In this regard the committee can point out that questions that were prepared and served on management on 28 November 2013 could only responded to on March the 9th 2014 **(see annexure A2)**. This state of affairs created challenges for the committee as it could not conclude its report on time.

Having engaged with management on this issue the committee wishes to recommend to council that should such an incident occur in future, that MPAC will bring a motion in council for corrective measures to be preferred against the Accounting Officer.

11. INTERVIEWS WITH MANAGEMENT

The committee can report in this regard that having received feedback from management in respect of the questions that it had raised on the Annual Report, The committee scheduled interview sessions with management. Those interviews were necessary to enable the committee to test the veracity and relevance of the responses that management had given on the MPAC questions.

The committee can report in this regard that the final answers that were supplied by management spoke directly to the questions that the committee had raised.

12. BUDGET AND TREASURY RESPONSES

The committee would like to comment in respect of the Budget and Treasury report and point out that the mandatory interviews were conducted with management on the financial reports. In this regard the committee would like to confirm that it is satisfied with the responses and written explanations that



management has given thereupon.

13. COMMUNITY FACILITIES REPORT (Kamhlushwa and Kamaqhekeza Stadia)

The committee wishes to report in respect of the above matter and state that having conducted the necessary interviews and also having studied the written explanations from management therein; the committee concludes that it notes the relevant report and supports the council process that management has proposed in respect of above matter. *(See annexure A2)*

14. PROJECT VISITS

The committee would like to indicate that as part of its oversight work on the Annual Report, it carried out several site visits to a number of projects that are reported on in the Annual Report *(see attached visiting schedule marked annexure A3)*.

Outlined hereunder are some of the visited projects and recommendations on those that the committee felt required urgent attention:

14.1 MARLOTH PARK MUNICIPAL DEPOT

The committee visited the municipal depot in Marloth Park and was dismayed at the living conditions of staff in the hostel in that facility. The ablution facilities are in a state of dilapidation and the general environment in the facilities is unhygienic. Some staff members are forced to build makeshift shower facilities under inhumane conditions. The ceiling and general state of the hostel building is deplorable.

Management is urged to investigate the living conditions at the site and take active steps to ensure that the dignity of the workers is restored.

During the same visit the committee was advised that due to its current site location and size, the municipal abattoir was not licensed was operating with a temporary license during the culling season. This situation presented challenges for the nature conservation unit as the number of animals that can be culled at a given time is limited due to the license temporary license conditions. This situation creates additional challenges for stock control and overgrazing in the park.

The committee recommends in this regard that management should take all the necessary steps to ensure that a proper site is acquired by the municipality wherein a licensed facility can be developed.

14.2 THE MANGWENI MANUFACTURING CENTRE

The Mangweni Manufacturing Centre was also visited as part of oversight on LED projects. During this visit the committee was appalled to find that the Manufacturing Centre which was sponsored by the municipality to stimulate LED in Mangweni had been turned into an orphanage without formal council approvals. The committee recommends that management takes the necessary steps to ensure that the facility is returned to the original purpose and beneficiaries for which it was built.

14.3 THE KOMATIPOORT TOURISM INFO CENTRE

The committee also visited this site during the period under review. It can be reported in this regard that the committee found the site in a shocking state. The entire site of this project is full of overgrown grass and bushes including at the visitors parking bays.

The building itself is dilapidating and in a total state of disrepair. The committee was informed during the visit by some of the staff members that there were allegations that the facility was being used illegally as a brothel during the night.

The committee found this state of affairs deplorable and in this regard management is urged to do everything possible to ensure that the site is restored and properly maintained as required.



14.4 KOMATIPOORT SUID-DORP STREET UPGRADING PROJECT

The Suid-Dorp street upgrading project was also visited by the committee. The committee met with the contractors and was informed that the project was complete and that its scope covered only 1.3km. The committee inspected the length of the covered surface and was concerned that the approved 1.3 km made little impact to the outlook of Suid-Dorp as a rates paying suburb.

The road facing businesses in Suid-Dorp as you enter Komatipoort continue to suffer during rainy days as they are still without tarred streets. It is a recommendation of the committee that management should endeavour to raise additional funds to surface all the streets in that portion of the town.

14.5 KRUGER NATIONAL PARK-UPGRADING OF LOWER SABIE WATER WORKS

The water works at the Kruger National Park Lower Sabie camp was also visited. The committee would like in this regard to congratulate management in partnership with Ehlanzeni District Municipality for a project well executed. The committee was particularly impressed with the automated technology that the facility uses to ascertain the dosage of water treatment chemicals required at any given time in the water treatment works.

Management is encouraged to investigate the viability of introducing that technology in some of our treatment works to improve water quality and blue drop status.

15. IMPLEMENTATION OF 2011/12 MPAC RECOMMENDATIONS

The committee remains concerned about the apparent inability and/or slow pace of management in implementing some of the council decisions that were endorsed as part of the 2011/12 Oversight report. The committee will point out specifically that there has been insignificant progress made on the following recommendation of MPAC:

15. 1 REVENUE ENHANCEMENT

15. 2 STRATEGIC PLANNING

15. 3 THE HHOYI CATTLE POUND

The committee wishes to recommend that management should produce an Action Plan within the current financial year setting out its plans on how it will address the council decisions on the above matters.

15. AUDIT OPINION

The committee noted the improvement in the Audit Opinion in respect of the audit outcomes for the period under review. The committee would like to congratulate management on this improvement and further implore it to work even harder as we march on towards Operation Clean Audit 2014.

16. OVERSIGHT COMMITTEE BUDGET

The committee would like to report that given the nature of the work that the committee is required to perform, that it has become necessary that a specific budget be approved in the new financial year to assist the committee in carrying out its mandate. The committee recommends that council approves the appropriation of the necessary financial resources to support the work of MPAC in the new financial year.

17. CONCLUSION

The committee would like to express a profound sense of gratitude to council for having afforded it the opportunity to interrogate the report on its behalf. It is the committee's perspective that the standard of its work should continue to improve year-on-year in order to strengthen council oversight on municipal activities.



It is a recommendation of MPAC that going forward council should apply proactive and closer oversight on the implementation of its resolutions. The reviews of the quarterly reports by MPAC will ensure that council is kept abreast on the implementation or lack thereof of its resolutions on a continuous basis.

This will ensure that council is able to act in earnest and avoid learning about the non-implementation of its decisions in the Annual Report. In this regard the committee would call for greater cooperation with management in order to ensure that the committee continues to realize its mandate.

18. RECOMMENDATIONS BY THE CHAIRPERSON OF MPAC

MPAC RECOMMENDS IN TERMS OF THE MFMA SECTION 129(1): THAT COUNCIL:

1. Takes cognisance of the Oversight Report on the 2012/13 Annual Report, as submitted by the Municipal Public Accounts Committee.
2. That Council, having fully considered the Annual Report of the municipality for the financial year 2012/13, adopts the Oversight Report without reservations.
3. That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act, 56 of 2003.
4. That the corrective actions that are recommended in this Oversight Report be adopted as formal resolutions of council and that feedback on actions taken by the municipality in this regard be included in the following year's Annual Report.
5. That the Oversight Report on the Nkomazi Municipality's 2012/13 Annual Report be submitted to the provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act, 56 of 2003.

TC Mkhumbane.

Cllr. TC Mkhumbane

Chairperson: Nkomazi Municipal Public Accounts Committee (MPAC)



EXTRACT FROM THE DRAFT MINUTES OF THE COUNCIL MEETING HELD ON 28 MARCH 2014

**NKM: S-GCM: A015/2014: Oversight Report on the 2012/2013 Annual Report for Nkomazi
Local Municipality**

It was unanimously

RESOLVED:

- a) That the Oversight Report on the 2012/2013 Annual Report for Nkomazi Local Municipality be and is hereby **NOTED**.

- b) That the 2012/2013 Annual Report for Nkomazi Local Municipality be is hereby **APPROVED** without reservation.

CERTIFIED AS A TRUE COPY OF THE ORIGINAL

Mr SM Manzini
Director: Corporate Services