



**EMALAHLENI COUNCIL**  
**MUNICIPAL PUBLIC ACCOUNTS**  
**COMMITTEE**  
**OVERSIGHT REPORT**  
**ANNUAL REPORT 2010 – 2011**

2010 2011 FINAL ELM OVERSIGHT



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## INTRODUCTION AND BACKGROUND

The National treasury **MFMA CIRCULAR 32** specifically sets out practical guidance to Council and Councillors in maintaining the oversight role in local government:

*Council is vested with the responsibility to oversee the performance of their respective municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). This oversight responsibility of council is particularly important for the process of considering annual reports. Whilst, in the first instance it is left to the mayor or the Executive Committee to resolve any performance failures, ultimately the council is vested with the power and responsibility to oversee both the executive and administration.*

*The separation of roles between the council and administration is intended to strengthen the oversight function of councillors. Good governance and effective oversight and accountability are predicated on there being this separation of functions. It is fundamental for the achievement of the objects for local government in the Constitution relating to a democratic and accountable system of local government. Council oversees the performance of the administration through council and committee meetings. The mayor provides the link between the council and administration and is responsible for regular monitoring and for tabling reports before the council. Therefore, the administration is responsible for the day-to-day operations. This separation avoids conflict of interest and a “referee/player” situation arising and is similar to the role played by Parliament.*

*The MFMA further assumes a separation between councillors serving on the executive (i.e. mayor or executive committee) and non-executive councillors. This separation is vital to ensure council maintains oversight for the performance of specific responsibilities and delegated powers to the mayor or executive committee.*

In compliance with the guideline and statutory requirements the Emalahleni Municipal Council established a Municipal Public Accounts Committee.

## MUNICIPAL PUBLIC ACCOUNTS COMMITTEE - MPAC



The Municipal Public Accounts Committee (MPAC) was established in order to provide a broad oversight role regarding the manner in which financial and other administrative matters are handled within Emalahleni Local Municipality.

Council under item ELM 170/2011 - MPAC GUIDELINES & TERMS OF REFERENCE established the new Municipal Public Accounts Committee in terms of Section 79 of the Municipal Structures Act and deployed the following Councillors to this committee:

1. Cllr T. Kwatshana: Chairperson
2. Cllr K. Mjezu
3. Cllr N. Dlikilili
4. Cllr N. Peter
5. Cllr L. Mooi
6. Cllr Z. Dyonase
7. Cllr T. Ndlela
8. Cllr N. Makeleni
9. Cllr K. Nkasela
10. Cllr P. Nobaza

The Council reconfirmed the establishment of the Emalahleni Municipal Public Accounts (MPAC) Committee in terms of Sec 79 of the Municipal Structures Act and the MPAC of 10 members serving on both MPAC and other standing committees was reduced to 5 who were released from their duties on other committees of council.

The Councillors deployed to MPAC were

Cllr L. Mooi (Acting Chairman), Cllr T. Kwatshana, Cllr N. Dlikilili, Cllr N. Peter, Cllr K. Nkasela.

## **STATUTORY COMPLIANCE**





The Annual report was tabled to Council and adopted on the 31<sup>st</sup> January 2012 under item:

*ELM 17/2012*

*DRAFT ANNUAL REPORT 2010/11*

*MUNICIPAL FINANCE MANAGEMENT ACT 56 OF 2003*

*CHAPTER 12: FINANCIAL REPORTING AND AUDITING*

*SECTION 121: PREPARATION AND ADOPTION OF ANNUAL REPORT*

*SECTION 127: SUBMISSION AND TABLING OF ANNUAL REPORTS*

*SECTION 129: OVERSIGHT REPORTS ON ANNUAL REPORTS*

*The above are the legislative and statutory provisions governing the tabling of the Annual Report of the Emalahleni Municipality.*

*In terms of s127(2) of the Municipal Finance Management Act (MFMA) No 56 of 2003, The Mayor of a municipality must, within seven (7) months after the end of the financial year, **table in the municipal council the Annual Report of the municipality.***

*The Annual report must be prepared in accordance with the requirements of section 121 and the Council must within nine (9) months after the end of the financial year **deal with the Annual Report of the Municipality in accordance with section 129 – Oversight Report on Annual Report.***

*The Annual Report has been compiled in accordance with the statutory provisions of Section 123 and in accordance with the guidelines contained in the MFMA Circular No 11 and is tabled before the Council in accordance with section 127 (2) for Council to deal with in accordance with section 129.*

*In accordance with this, five (5) key chapters were developed as follows:*

- 1. Introduction and Overview*



2. *Performance Highlights*
3. *Human Resource and other Organisational Management*
4. *Audited Statements and Related Financial Information.*
5. *Functional Area Service Delivery Reporting.*

*In this regard, it is felt that the purpose of this report was indeed achieved, namely:*

- ◇ *To provide a record of the activities of the Municipality or entity;*
- ◇ *To provide a report on performance in service delivery and budget implementation; and*
- ◇ *To ensure accountability to local communities.*

*The Council has appointed the Municipal Public Accounts Committee which will now meet to consider the Annual Report and compile an Oversight Report to be tabled for adoption by Council within 2 months from the date tabled. The Oversight Report must consider any input from the public and council. After a thorough analysis of the Annual Report the Oversight Report is tabled in respect of an evaluation of the manner in which the report achieves its overall objectives, in which comment is made on the Annual Report.*

*The Accounting Officer will, immediately after the Annual Report is tabled to Council make public the annual report and invite the local community to submit representations in connection with the annual report; and submit the Annual Report to the Auditor General, Provincial Treasury and Provincial Department of Local Government and Traditional Affairs.*

*At the outset a number of critically important issues must be raised as follows:*



*This Annual Report is tabled in order to start the oversight process.*

- *The Oversight Report in terms of section 129 must be tabled within 2 months of the tabling of the Annual report and therefore strict deadlines are required to ensure compliance in order for the Oversight Report to be adopted by 31 March 2012.*

### **AUDIT REPORT**

*Included in the Annual report is the Audit Report of the Auditor General which was tabled in December to Council and must be considered by MPAC as part of their deliberations.*

*Cllr T.Kulashe moved for the acceptance of the recommendations as it is and was seconded by Cllr V.Jordaan.*

*It was*

### **RESOLVED THAT:**

- 1. The Council note the tabling of the Annual Report in terms of Sec 127 (2) of the Municipal Finance Management Act no 56 of 2003.*
- 2. The Annual Report Tabled be dealt with by the Emalahleni Municipal Public Accounts Committee (MPAC) for oversight in terms of section 129 the Municipal Finance Management Act no 56 of 2003 and tabling of the Oversight Report within 2 months of the date of tabling of the Annual report.*
- 3. The Accounting Officer comply with Section 127 (5) (a) & (b) Municipal Finance Management Act no 56 of 2003 and the Annual Report be made available to the community for comment; during the 2<sup>nd</sup> week of February 2012 (for this purpose copies of such report must be advertised and made available at each administrative unit of Emalahleni Municipality)*
- 4. All amendments, comments from the community on the tabled Annual Report be received by 29 February 2012.*





5. *MPAC have finalised a draft Oversight Report by 19<sup>th</sup> March 2012 in preparation for the tabling of the oversight report for adoption by Council before 31 March 2012.*

Following the Council meeting of 31 January 2012, the Annual Report for 2010-2011 was made available for input from Councillors, officials and stakeholders.

The report was circulated and all role players were given the opportunity to comment and input by 29 February 2012.

Copies of the Annual Report were made available and advertised for inspection at the following Emalahleni Municipal Offices:

- Indwe;
- Dordrecht; and
- Lady Frere

#### **MEETING & TRAINING**

The MPAC Committee received in house training at which the Auditor General's Office and the Audit Committee Chair were present and the Council adopted the Emalahleni Municipality MPAC Terms of Reference by which the committee was to function.

The training workshop for MPAC members and officials was held 4 November 2011 and all members and officials attended SALGA workshop on the role and terms of reference of MPAC.

MPAC met formally on 04 November 2011, 22 January, 14 February, 27 February and 05<sup>th</sup> March 2012 which meetings included ongoing training and workshops on the roles and functions of MPAC with emphasis on the Oversight report. The meetings were open to the Public and were held in Lady Frère, Dordrecht and Indwe to make access to the public easier.

The appointed Chairman declined to act as he indicated he felt he lacked the experience and knowledge to fulfil his task. The committee appointed Cllr Mooi to act as Chairman pending ratification by Council.

The draft oversight report was tabled, reviewed and adopted by MPAC on the 22 March 2012





At the ordinary Council meeting of March 2012 MPAC will hold a full briefing of Council to report back on the work done by MPAC and to brief the Council on the oversight report and the recommendations of MPAC.

Copies of the minutes of the meetings are available and filed in order to reflect the transparency of MPAC and the manner in which dealings and deliberations of the committee in compiling the MPAC Oversight Report.

The various role players were afforded an opportunity to interact and submit inputs on the Annual report by the 29<sup>th</sup> February 2012:

REPRESENTATION SUBMITTED BY:	KEY ISSUES RAISED	DETERMINATION BY MPAC
Auditor-General	<p>The Auditor General played an active role in the process.</p> <p>Use of Audit Checklist/Role of MPAC &amp; Audit Committee/Identify priority areas and focus on them</p>	<p>Input noted with appreciation and incorporated into the report</p>
Audit Committee	<p>Audit Committee played an active role:</p> <p>AFS – Take on balances to be addressed/Capacity concerns/Audit Action Plan to be owned by all departments</p> <p>Audit Committee expressed concern on delay in implementing IA Reports</p>	<p>Input noted with appreciation and incorporated into the report</p> <p>IA Department needs to be capacitated.</p>



No input was received from the public.

## **OVERSIGHT ASSESSMENT**

The MPAC after reviewing the Annual Report is satisfied that the report provides a record of the activities and of the performance in service delivery of the municipality.

The report provides information around the financial management of the institution and assists in promoting accountability to the local community for decisions made.

The Annual report further contains information on service delivery and outcomes, in addition to financial statements. It reflects on the performance in the financial year 2010/2011 setting out how effectively or not the budget was implemented and the results of service delivery operations for the year under review.

The main focus areas within the Annual report which promote governance and accountability are the Annual Financial Statements, the Annual Performance report and the Auditor General's Report on the financial statements and annual performance report and the MPAC has specifically focussed on these areas in the oversight report.

It is the intention and full purpose of the Oversight Report, to provide comments and evaluation of the manner in which the annual report was written, from a technical perspective, a compliance perspective and in terms of the degree to which the Annual Report reflects an accurate account of performance and highlighted issues for the period under assessment. Any reservations in respect of structure or content are highlighted within the Oversight Report and taken into account at the point where Council makes a decision to approve the Annual Report, with or without reservations.

It is therefore the intention to evaluate and pass comment on the Annual Report in terms of content, structure, accuracy and compliance in terms of the manner and accuracy with which it is evaluated.

It is not the intention to go through the report line, by line and to "audit" the content of each and every paragraph but it is the intention to provide an overall oversight in terms of the issues mentioned above.

The analysis of this report and the related comments has thus taken into account the following issues:





- The extent to which the legislation was compliant;
- A summary of representations received from the community and others; and
- A summary of any reservations expressed and corrective action required by MPAC.

The Municipal Public Accounts Committee (MPAC) analysed and assessed the Annual Report in accordance with statutory requirements and accepted practice. The resultant MPAC Oversight Report was developed from this process.

The MPAC deliberated on the following background information in order to understand the context of the information within the Annual Report in assessing the Organizations Strategic Direction

- The **IDP** represents a five year plan for the municipality based on input from the community, political arena, and input from officials, whilst taking into account available infrastructure and resources. The intention is to ensure appropriate planning, infrastructure, and resource provision which in turn will ensure that the needs of the community are taken into account and will be addressed in so far as is possible.
- This 5 year plan is translated into an annual plan or the **Institutional Scorecard** which details specific IDP objectives that are required to be achieved over a one year period. This Institutional Scorecard is informed by the IDP goals and objectives as translated during annual strategic planning sessions with senior management into a one year plan.
- These strategic plans are then translated into **SDBIP'S (Service Delivery Budget Implementation Plans)** which reflect reasonably accurate measures of departmental goals and objectives whilst taking into account the requirements of the IDP and the resources available (so as to enable the implementation and achievement of these goals).
- Alignment is required between the IDP, Budget and SDBIP so that an integrated approach to performance is achieved and so that the strategic objectives of the organization can be achieved.
- The implementation of a Performance Management System at both the institutional (IDP, SDBIP, Scorecards) and at the employee level (through individual performance management systems) facilitates the achievement of IDP goals and targets. Controls, monitoring devices and regular



reporting ensure that targets are ultimately met. When it is evident that targets are not going to be met appropriate steps are taken in order to achieve these through appropriate action planning.

- Reports such as the s71, s72, s46, SDBIP quarterly reports, budget reports, the Annual Report, MPAC Oversight and all audit committee and audit reports represent monitoring tools and controls. These, together with individual employee performance assessment will ensure that the organizational targets are met as required and reported back to the community as per appropriate structures.

## **ASSESSMENT FINDINGS RELATING TO THE ANNUAL REPORTING**

### **PROCESS**

Each individual chapter of the Annual Report was examined and a report compiled on matters raised by MPAC.

The Required actions in terms of s131 (1) of the MFMA by the Mayor and the administration are detailed within each chapter as appropriate.

### **PART 1, CHAPTER 1: INTRODUCTION AND OVERVIEW**

MPAC noted that the Annual report covered the term of office of the previous council – 01 July 2010 to May 2011, a period of 10 months and the current Council May 2011 to 30 June 2011, a period of 2 months.

For this reason the report contained a forward both from the former Council's Honourable Mayor Cllr Lali and from the current Honourable Mayor of Council, Cllr Nyukwana.

The Auditor General advised MPAC that the Draft Annual report submitted must contain the signatures of the Mayor and Municipal Manager below their forward in the document.

### **ISSUES**

#### **INTRODUCTION & EXECUTIVE SUMMARY**

The Mayors Forward, the Municipal Manager's Report and the Executive Summary all provide an accurate account and reflection of what has transpired within Emalahleni Local Municipality during 2010-2011. No additions are required within this area.





In so far as the geographical context and background information is concerned, it is to be noted that it is accepted that the information and statistics that have been provided are correct. Population statistics do vary between various sources at times and every effort is made to ensure that the quoted sources within the report are congruent and aligned with those that are depicted in the Integrated Development Plan (geographical and populations statistics).

It is hoped that the new census will address and provide uniform and up to date statistics for the Municipal area.

## **CORRECTIVE ACTION**

MPAC noted and accepted the explanation regarding the insertion of the electronic signatures of the role players but emphasised that an area requiring improvement is the communication between the administration and the Office of the Mayor to ensure all parties are aware of the requirements pertaining to submission of electronic signatures in the report to ensure no misunderstanding.

## **PART 2: ACHIEVEMENT REPORTS**

### **CHAPTER 1: ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT**

#### **ISSUES**

As compared with the challenges faced when compiling Human Resources statistics for 2009-2010, it must be noted that there have been improvements. The information contained within this chapter and corresponding information contained within the AFS are aligned as required. It must be emphasised that the Annual Financial Statements are audited and thus verified. Statistical and financial information flowing from this must be considered to be accurate and must therefore correspond with the same statistics depicted elsewhere throughout this report. This being said, all related data throughout this report and throughout the IDP, Budget and AFS must reflect the same accurate data and statistics. Failure to do so will result in audit queries and will essentially destroy the credibility of the data utilized.

Performance Management is applied within Emalahleni Municipality at the level of the 57 managers. While quarterly performance assessment reports were compiled and



submitted to Council (in terms of SDBIP reporting) it was clearly acknowledged that improvements in the manner in which this was conducted was required, in order to ensure that all aspects of the Performance Management System Framework were applied. The understanding of the framework and its implementation are critical to its effective functioning. The failure to utilise this tool effectively in terms of the framework to ensure improved institutional performance.

The failure to implement the Performance Framework in the evaluation and assessment of the individual performance contracts of Council had resulted in the Council pending the 2009/2010 assessments were noted with concern by MPAC.

It was acknowledged that the SDBIP's was not well populated in so far as the performance targets were concerned and the goals and targets fell short of the SMART principle.

Although an attempt had been made to align the SDBIP to the IDP and Budget much work still had to be done as the weaker the alignment the greater the challenge to effective service delivery through efficient performance.

The impact of this can be seen on the manner in which the performance scorecards were developed.

An ongoing challenge remains the ability to attract and to retain the correct type and calibre of staff.

## **CORRECTIVE ACTION**

Areas requiring amendment/focus for improvement are reflected as follows:

- The review of the Institutional Organogram and identification of priority posts coupled to the development and implementation of a Staff Retention Strategy in order to address both the shortage of scarce skills and the need to attract and retain the correct calibre of staff;
- The implementation by each HOD and management of a more effective management, control and monitoring of the Budget; and expenditure
- PMS Framework training for all staff and an understanding of the roles and responsibilities of all stakeholders so as to ensure staff are trained and monitored on the application of effective performance management; and





- Regular PMS reporting according to the manner prescribed within the Framework.
- Implementation of the framework to ensure 2009/2010 and 2010/2011 evaluations and assessments are done in terms of the adopted PMS framework

## **CHAPTER 2: PERFORMANCE HIGHLIGHTS**

### **ISSUES**

In terms of legislative prescriptions and reporting at a national level it is required that all performance in service delivery areas is monitored and reported on in the manner required. As required and in order to facilitate improved service delivery and sustainability of these levels over time, reporting is required within a number of areas, as depicted within the various tables relating to water, sanitation, electricity and roads.

Since the 2009/2010 period, it is noted that great strides have been made and where possible and in many instances, baseline data is being collected. It is noted that although improvements in data provision have occurred, the following data is still required to be provided within most service delivery areas as follows:

- Percentage of clinics, schools and households with access to potable water, sanitation, electricity and road infrastructure.
- Customers expected to benefit re – potable water, sanitation and road infrastructure.
- Estimated backlogs (potable water, sanitation, electricity and road infrastructure);
- Number of households reached for these services;
- The percentage of planned service level targets achieved during the financial year;
- The estimated backlogs for indigent households who do not have access to free basic sanitation services;
- The estimated backlogs of indigent households with access to free alternative energy sources;



- The number of households who have been reached during the year in respect of actually constructed roads infrastructure;
- The number of households/customers reached during the financial year in terms of road upgrading and maintenance;
- The statistics in respect of waste management services (backlogs, targets and the like). No statistical provision is available; and
- Housing and town planning statistics.

### **CORRECTIVE ACTION**

Many shortfalls in reporting statistics have carried over from last year, however improvements have been made. In terms of the reporting prescriptions on baseline data, current levels of service and planned future levels of service delivery are required to be reported on. This serves the purpose of ensuring that planning for future levels of service delivery and data provision occur in order to facilitate the sustainability of required levels of service.

Historically and in so many instances, this baseline data has not been available or recorded. During this financial year an Emalahleni Municipal initiated project has resulted in the employment of 170 contract workers, who are accessing required reporting data from the community, regarding service level provision within all of these service areas. Information such as: beneficiary levels, estimated backlogs, numbers of clients reached and percentages of targets reached within the current year are all being established.

It is acknowledged that greater effort is required to be made to ensure that adequate controls are put in place to ensure that the required reporting is conducted in the manner required. It must be emphasised that reporting is not a “one time event” and systems are required to be put in place to ensure that reporting occurs ongoing.

All performance related reporting is required to occur in the manner required and in accordance with strict timeframes. Reporting would relate to SDBIP quarterly reports; the annual report; the s46 report and performance assessments generally.





## **CHAPTER 3: LED FRAMEWORK IMPLEMENTATION**

### **ISSUES AND CORRECTIVE ACTION**

The greatest challenge facing Local Economic Development relates to inadequate experience and infrastructure within this field. Although it is a carry-over from the previous year, it is imperative that the LED Strategy be reviewed and implemented in 2011-2012. The finalization of this will ensure that LED is managed and coordinated effectively and that required IDP objectives are met (through the implementation of the recommended IDP related projects).

The LED function is constantly challenged by resource capacity and financial and operational commitments. These issues are to be formally addressed through the LED Strategy and the related implementation plan must be tabled and reported on.

## **CHAPTER 4: FINANCIAL STATEMENTS AND FINANCIAL REPORTING**

### **ISSUES**

After examining this chapter, reference is made to the Auditor General's Report for 2010-2011 and the related Audit Action Plan, which was developed in order to resolve the issues identified. More specifically, emphasis is placed on the financial statements, financial reporting and the manner in which this occurred.

#### **Auditor-General's Report on the annual Financial Statements**

A disclaimer of opinion was received for the 2010-2011 financial year. As indicated by the Auditor-General's report:

"Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion".

The response to the Auditor-General's Report has led to the development of the Audit Action Plan. The intention of this plan is to ensure that immediate, medium and long-term action is taken to ensure that Emalahleni Municipality improves in all areas identified and which have contributed towards the receipt of this disclaimer.



It is concerning to note that the required adjustments for the previous audit report were not made and this in turn has affected the accumulated surplus and statement of financial position items.

Overall and although improvements have been made in certain areas, audit issues raised related to the following general areas:

- Legislative and administrative compliance;
- Improvements of Internal Controls and systems
- Risk Management
- Reporting compliance;
- Record keeping and maintenance;
- Performance management at all levels

Areas requiring focus and attention are discussed more extensively within the Audit Action Plan, which details required activity and related timeframes for completion of tasks.

Issues that were highlighted are reflected below and reflect the issues that contributed towards the Auditor-General awarding a disclaimer of opinion. It is further noted that when making comparisons with the previous financial year, while improvements in some instances were apparent, many of the issues that had been raised within the previous financial year had not been resolved in the manner required. The Audit Action Plan is to be strictly monitored in order to ensure that these issues are addressed as required, moving forward.

The integrity of the financial data within the Annual Financial reports and as reflected in the Annual report is of a questionable nature. The MPAC received and noted the detailed report for 2010-2011 dealing with the absence of the CFO and the state of affairs of the finance department as well as the implementation of remedial steps from June 2011 to address these issues and the integrity of the financial data.

The progress made has been noted and the continuation of this process is critical to the continued turnaround of the Financial management within the institution.





## ISSUES AND CORRECTIVE ACTION:

- Supply Chain Management systems and procedures have not been strictly applied and this has resulted in instances of irregular expenditure. All SCM procedures are to be strictly applied. Through regular performance auditing and reporting irregular expenditure will be minimized/eradicated.
- Discrepancies have existed between financial records and statements in all areas. These are to be reconciled regularly (at least monthly) in order to ensure that the discrepancies between both are minimized and corrections made immediately. Regular financial reporting is required, and monthly reporting must be completed.
- Recording of financial information remains a challenge and controls are required to be put in place to ensure that this occurs in the manner required.
- Title deeds for land and buildings are required to be recorded and updated through effective systems and controls.
- The fixed assets register is required to be reconciled monthly and updated regularly;
- Investment properties are to be separately disclosed from other properties in the financial statements;
- Unspent conditional grants will be reconciled monthly and records effectively managed and updated for record purposes.
- VAT reconciliations are to be conducted regularly and as indicated, ledger balances are to be corrected as per the current project;
- Grant expenditure is to be transferred from unspent conditional grants to revenue.
- All leave records are to be reconciled monthly;
- Schedules of all service providers owed and projects currently incomplete are to be created;
- Pro-rata bonus provisions are to be adjusted as per GRAP 19.
- A loss register is to be developed and disclosed;
- A schedule for contingent liabilities is to be established and maintained; and
- Cash flow statements are to be correctly presented in terms of GRAP 2.



While specific financial reporting and financial record keeping issues have been alluded to in the Auditor-General's Report, it must also be noted that:

- SDBIP reporting in 2010/2011, while conducted quarterly does require attention in respect of the manner in which the performance targets are written. The poor formulation of IDP targets impacts on all aspects of performance targets and on performance reporting itself. It is noted that great improvements are to be made regarding the manner in which the IDP for 2011-2016 is constructed/compiled. Similarly, this will impact on the manner in which performance targets within the SDBIP and performance scorecards will be worded. It is noted that the PMS scorecards for 2011-2012 have been well formulated and aligned.
- Improvements to the s46 report are necessary in so far as the performance targets are influenced by the poor performance indicators within the IDP and SDBIP as already reflected. Notwithstanding, the content of the s46 report remains affected by the lack of technical data and statistics that are required for reporting. Moving forward, a concerted effort is required to be made to ensure that reporting occurs in the manner required and that the required information is obtained through adequate controls and reporting.
- The note raised regarding the failure to submit the s46 report by October 2011 was noted and a legal opinion has been obtained and will be shared with the Auditor General to clarify the matter.
- Emphasis was placed on the fact that performance reporting remains the responsibility of each and every manager and their inputs are critical in determining the quality of performance reporting.
- All managers must be held accountable to meet required timeframes for reporting. Although Emalahleni Municipality is to be commended for attempting to remain current with all quarterly SDBIP reporting, improvements in the quality of performance reporting on time must be a focus area. The greatest difficulty experienced with reporting generally relates to the fact that timeframes are often not met in information submission from departments. As a result, the person tasked with collating and finalizing the report finds themselves attempting to finalize all content without the necessary input and assistance.





It is noted that the issues again that require attention are:

- The AFS's still represent inaccurate take on balances which must be addressed and corrected urgently;
- Bank reconciliations must be conducted regularly;
- Accounting records are not reconciled monthly;
- Leave records are not monitored and maintained effectively;
- VAT queries remain a concern and reconciliations between SARS and the municipality are required;
- Payroll reconciliations and reconciliations for staff benefits are not done as required;
- Tariffs and the integrity of the tariffs remains an area of concern and must be addressed
- Asset registers and the verification and updating of assets remains a challenge;
- Distribution losses are to be measured, controlled, reported on and disclosed in the AFS;
- Accounting records are to be reconciled monthly and the frequency of review is not according to required standards;
- Institutional and personal performance reporting is not being conducted regularly in terms of the PMS policy prescriptions;
- Management and performance reporting continues to be a weakness throughout the organization
- There are Councillors and staff who continue to be noted as having arrears with rates.

The Capacity of the Finance Department in particular and Departments in general continue to hamper and impede effective service delivery;

It is critical that management workshop staff on the policies and their role and function to ensure that financial reporting, control and oversight occurs within the organisation.

All staff within each department must be work shopped on the Audit action plan and the role they must play in effectively implementing it within their work area



so as to ensure an implementation of the appropriate Audit Action Plan with positive results.

The incorporation the Audit Action Plan goals into the institutional and individual performance scorecards and day-to-day levels of functioning.

- Internal Audit Unit, Performance Unit and Compliance Unit must be capacitated to be effective.
- MPAC needs to be provided with Resources and Training in order to perform their duties effectively.
- Audit Committee – Management commitment to respond promptly and implement IA reports from Audit Committee.

## **CHAPTER 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

### **ISSUES AND CORRECTIVE ACTION**

MPAC is comfortable that the information relating to the issues of governance and public participation is an accurate reflection of these areas of functioning. As in the previous year, it is acknowledged that steps are required to ensure improvements within the IDP - in terms of the roll-out and public participation, the manner in which the IDP is structured, the manner in which it sets indicators for assessment and gives direction to the budget, the manner in which it reflects the national indicators and in terms of meeting required submission deadlines. Improvements are already apparent in the IDP for 2011-2016.

Steps to bring the Annual report to the Public through MPAC Outreaches must also be implemented.

MPAC further took note of submissions made regarding the separation of powers and specifically the principles as set out in National Treasury MFMA Circular 32





*The separation of roles between the council and administration is intended to strengthen the oversight function of councillors. Good governance and effective oversight and accountability are predicated on there being this separation of functions. It is fundamental for the achievement of the objects for local government in the Constitution relating to a democratic and accountable system of local government*

*The mayor provides the link between the council and administration and is responsible for regular monitoring and for tabling reports before the council. Therefore, the administration is responsible for the day-to-day operations. This separation avoids conflict of interest and a “referee/player” situation arising and is similar to the role played by Parliament.*

## **CORRECTIVE ACTION**

MPAC is of the view that a workshop must be convened on the roles and responsibilities of the Council, The Executive and the Administration so as to ensure the separation of power while allowing monitoring & oversight to occur without interference in the administration and to develop clear communication channels for all.

## **CHAPTER 6: FUNCTIONAL AREA SERVICE DELIVERY REPORTING**

### **ISSUES AND CORRECTIVE ACTION**

MPAC is satisfied with the detail provided as to the accurate reflection of the functional nature of these departments.



## CONCLUDING COMMENTS

The areas of greatest concern within the Annual Report relate to the manner in which financial reporting and controls are implemented. The integrity of the financial data and management have only been systematically addressed and implemented effectively from June 2011 and for this reason the Annual Financial Statements and financial data integrity has been red flagged as a matter of concern.

It is evident from the oversight performed on the Annual Report for 2010-2011 urgent steps are required to address the recurrent issues raised in the Auditor General's report.

The status quo cannot be allowed to continue and the need to identify priority areas and address action plans for them must be done.

An audit checklist must be implemented with monthly reporting.

The Internal Audit Unit must be capacitated to assist in addressing and rectifying issues identified and the MPAC and Audit Committee must be used as support resources by all role players.

Effective management controls must be implemented within every department to address these issues.

Issues highlighted related predominantly to controls and reporting information.

What is disturbing to note for MPAC is that so many issues raised within the 2009-2010 Annual Report remain an issue in the 2010/2011 Annual report.

The implementation of the Audit Action Plan requires more effective monitoring and control by each Head of Department and the issue of an effective and competent CFO is of critical importance to the success of the institution in addressing these ongoing and recurring audit issues.

The MPAC committee needs to have resources and training to be able to fulfil its duties effectively.

MPAC, as advised by the AG is of the view by addressing basic processes and procedures a disclaimer can be avoided moving forward





## **RECOMMENDATION TO COUNCIL TO RESOLVE:**

Accordingly the Municipal Public Accounts Committee (MPAC) of Emalahleni Municipality recommends to Council that:

- 7.1 The Council take note of the Oversight Report of the MPAC on the Annual Report for the period 2010/2011, as submitted to Council.
- 7.2 The Council having fully considered the 2010/2011 Annual Report of the municipality and representations made thereon, adopts the 2010/2011 MPAC Oversight Report and;
- 7.3 Council approves the 2010/2011 Annual Report with reservations contained in the MPAC Oversight Report under issues and corrective actions; and
- 7.4 The Issues and Corrective Action be developed into an implementation plan by management and together with the Audit Action Plan and Checklist become a standing item on the monthly MPAC meetings
- 7.4 The MPAC Oversight Report be made Public in accordance with the prescripts of the MFMA and be submitted to the relevant stakeholders.



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**COUNCILLOR L MOOI**

**ACTING CHAIRPERSON**

**MPAC EMALAHLENI MUNICIPALITY**

**22 MARCH 2012**



# **ANNEXURES TO THE MPAC OVERSIGHT REPORT 2010 – 2011**

ANNEXURES 2010 2011 MPAC ELM OVERSIGHT





## ANNEXURES INDEX

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<b>B</b>	<b>20 JANUARY 2012</b>	<b>5-7</b>
<b>C</b>	<b>14 FEBRUARY 2012</b>	<b>8-11</b>
<b>D</b>	<b>27 FEBRUARY 2012</b>	<b>12-16</b>
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**MINUTE OF THE WORKSHOP FOR THE EMALAHLENI MUNICIPAL PUBLIC ACCOUNTS COMMITTEE HELD AT 37 INDWE ROAD, LADY FRERE, AT 09H00 ON FRIDAY 04 NOVEMBER 2011 IN THE COUNCIL BOARD ROOM, LADY FRERE.**

**COUNCILLORS**

Cllr T. Kwatshana: Chairperson  
Cllr K. Mjezu  
Cllr N. Dlikili  
Cllr N. Peter  
Cllr L. Mooi  
Cllr Z. Dyonase  
Cllr T. Ndlela  
Cllr N. Makeleni  
Cllr K. Nkasela  
Cllr P. Nobaza

**MANAGERS**

MR N.J. KWEPILE - MM	MISS N. LUNGWENGWE
MR N. MNTUYEDWA	MR P.J. CLOETE
MISS N. MNYENGEZA	MR A. STEMELA
MRS M. LUDICK	MR N.W. MKUYANA

**COMMITTEE ADMINISTRATOR: MRS T. FIHLA**

**INTERNAL AUDIT**

**INVITED GUESTS**

MR PURUSHOTOMAN  
DPLGTA – CHDM MANAGER  
AUDIT COMMITTEE REPRESENTATIVE  
MR FUDUMELA

**1. OPENING & WELCOME**

1. The Chairman Cllr T. Kwatshana opened the meeting

**2. APPLICATION FOR LEAVE OF ABSENCE**

Cllr Z. Dyonase  
Mr N. Mntuyedwa  
Mr A. Stemela  
Ms N. Mnyengeza  
Mrs. M. Ludick  
Mr. N.W. Mkuyana  
Ms N. Lungwengwe





DPLGTA – CHDM Manager

### **3. ADOPTION OF AGENDA**

Agenda was adopted

### **4. MPAC TRAINING**

#### **a. Background of MPAC & TERMS of REFERENCE**

A presentation was made on the background of MPAC, work done by MPAC and the Terms of Reference were workshopped.

#### **b. MPAC – SPEAKERS FORUM – OVERSIGHT**

The Speaker briefed MPAC on the Speakers Forum and the input regarding MPAC and its importance.

#### **c. MPAC & AG PERSPECTIVE**

The role of MPAC and the office of the AG was discussed and workshopped

#### **d. MPAC & AUDIT COMMITTEE PERSPECTIVE**

The role of MPAC and the Audit Committee was discussed and workshopped.

#### **e. Handover Report MPAC 2010/2011 former Cllr Fudumela**

The former chair of MPAC Cllr Fudumela presented a handover report to MPAC and wished them well in their deliberations.

### **5. CLOSURE.**

**MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OF EMALAHLENI MUNICIPALITY HELD ON FRIDAY 20 JANUARY 2012 AT EMALAHLENI LOCAL MUNICIPALITY AT 10H00.**

**PRESENT WERE:**



## **COUNCILLORS**

Cllr D.S. Kalolo                      Speaker  
Cllr T. Kwatshana                  Chairperson  
Cllr N.Dlikilili  
Cllr N. Peter  
Cllr L. Mooi

## **OFFICIALS:**

Mr N.J. Kwepile  
Mr PJ Cloete  
Miss B. Mangali

## **OPENING AND WELCOMING**

Speakers declared to open the meeting official thereafter welcomed everyone present in a meeting.

The Speaker emphasized the role of the committee and confirmed that the members served only on MPAC to preserve their independence.

The Speaker explained that he was opening the meeting as Speaker as it was the first meeting since the changes to the committee by Council reducing it to 5 members.

## **APPLICATION FOR LEAVE OF ABSENCE**

Cllr K. Nkasela

## **ADOPTION OF THE AGENDA**

Cllr L. Mooi moved for the adoption of the agenda seconded by Cllr N. Dlikilili.

## **THE IMPLEMENTATION OF COUNCIL RESOLUTION**

On the 12 December 2011 under item ELM 170/2011 MPAC GUIDELINES & TERMS OF REFERENCE the Emalahleni LM resolved as follows:

### *RESOLVED THAT:*

- 1. The Council reconfirm the establishment of the Emalahleni Municipal Public Accounts (MPAC) Committee in terms of Sec 79 of the Municipal Structures Act*
- 2. The MPAC be reduced to 5 Councillor Members who shall serve only on MPAC and be released from all other standing committees.*
- 3. The Speaker liase with the Executive Committee to identify the Chair plus 4 members to remain on MPAC and the Executive be delegated to resolve and report back to Council on the members of MPAC.*





4. *The Council adopt the EMALAHLENI MUNICIPALITY MPAC FRAMEWORK (ANNEXURE ELM MPAC) and the delegation of authority as set out in the Framework as developed by SALGA.*
5. *The MPAC shall conduct its business in terms of the Council rules of order as adopted by Council.*

MPAC COMMITTEE:

Cllr T. Kwatshana

Cllr N. Dlikili

Cllr N. Peter

Cllr L. Mooi

Cllr K. Nkasela

The MPAC Committee received in house training at which the Audit General's Office and the Audit Committee Chair were present.

The Council had adopted the Emalahleni Municipality MPAC Terms of Reference by which the committee was to function.

The Speaker, MPAC members, Strategic Manager and Legal & Compliance Manager attended a workshop conducted by SALGA on enhancing oversight in the Municipality. A Practical guide developed by SALGA was provided to each Municipality present and work shopped.

Arising from the workshop the following were noted: The members of the MPAC must be independent and not also serve on standing committees of Council.

The Practical Guide included delegations and Terms of Reference which had been developed by SALGA and were detailed and of assistance to the efficient functioning of the MPAC. The MPAC currently consists of 10 members serving on both MPAC and other standing committees.

The Council only has 34 members and the MPAC members may not be members of the executive and for this reason it is not practical to have all 10 Councilors serve only on MPAC as this would severely impact on the efficient functioning of the standing committee of council.

For this reason MPAC was reduced to 5 members who shall be released from their duties on any other committee and that the Council adopts the SALGA PRACTICAL GUIDE as the Emalahleni Municipality framework within which MPAC must function.

#### **DISCUSSIONS:**

Legal & Compliance explained the dates for MPAC monthly meeting and that Audit Committee and Auditor General would be invited. Copies of meeting dates circulated in the meeting.

Council N. Peter emphasized the need for capacity of MPAC to function effectively.



Cllr T. Khwatshana indicated he wished to be relieved of his position as he felt he lacked the experience and knowledge to be the Chairman.

Training was to be organized for MPAC members.

MM confirmed the support of Management to the MPAC

The Committee discussed and agreed that Cllr Mooi be proposed to Chair MPAC.

**RESOLVED THAT:**

- The Committee note that Council reconfirmed the establishment of the Emalahleni Municipal Public Account (MPAC) Committee in terms of Section 79 of the Municipal Structures Act.
- The MPAC now consist of 5 Members Cllr T. Kwatshana, Chairperson, Cllr N. Dlikilili, Cllr N. Peter, Cllr L. Mooi, Cllr K. Nkasela who shall serve only on MPAC and be released from all other standing committees.
- The Committee accept Cllr Kwatshana's request to be relieved as Chairman and request that the Speaker liaise with the Executive Committee to appoint a new Chair.
- Cllr Mooi was proposed and accepted as the Chairman pending confirmation by Council.
- The Committee noted the Terms of Reference of the EMALAHLENI MUNICIPALITY MPAC FRAMEWORK (ANNEXURE ELM MPAC) and the delegation of authority as set out in the framework as developed by SALGA.
- The MPAC shall conduct its business in terms of the Council rules of order as adopted by Council.
- The MPAC meet as per the scheduled meetings to conduct their business.
- The Administration attend to training and support for MPAC.

**CLOSURE:**

The meeting adjourned @ 11h00.

**MINUTES OF THE MEETING AND WORKSHOP FOR THE EMALAHLENI MUNICIPAL PUBLIC ACCOUNTS COMMITTEE HELD AT 37 INDWE ROAD, LADY FRERE, AT 09H30 ON TUESDAY 14<sup>TH</sup> FEBRUARY 2012 IN THE COUNCIL BOARD ROOM, LADY FRERE.**





## **PRESENT**

### **COUNCILLORS**

**Cllr L. Mooi**  
**Cllr T. Kwatshana**  
**Cllr N. Dlikili**  
**Cllr N. Peter**  
**Cllr K. Nkasela**

### **MANAGERS**

**MR P.J. CLOETE**

**MR A. STEMELA**

**Ms Roboji**

**AUDIT COMMITTEE – Ms Tracey Putzier - Chair**

## **6. OPENING & WELCOME**

The Speaker opened the meeting and welcomed all present.

The Speaker explained the process thus far and the Committee resolved that Cllr Mooi act as interim Chair of the MPAC pending the Council appointment of the Chair for the Committee as Cllr Kwatshana declined to act due to inexperience.

The interim Chair welcomed all the meeting.

## **7. APPLICATION FOR LEAVE OF ABSENCE**

- a. **Cllr N. Dlikili** apologised and joined the meeting at 11h30
- b. **Municipal Manager, Ms Lungwengwe; Ms Mnyengeza, Mr Mkuyana, Mr Mntuyedwa**
- c. **Office of AG**

## **2A ADOPTION OF MINUTES**

### **RESOLVED:**

The name of Cllr Mjozi was to be removed from the minute. The minutes of the meeting of 20 January 2012 with amendment were tabled and adopted.



## **2B INTRODUCTION OF ROLEPLAYERS**

The members introduced themselves and the role players participating in the meeting.

## **8. ADOPTION OF AGENDA**

### **RESOLVED**

The Agenda as amended was adopted.

The MPAC accepted the apology of management for the late circulation of the Agenda and Minutes due to Technical problems with the Copier.

## **9. AGENDA MPAC TRAINING AND OVERSIGHT ANNUAL REPORT 2010 2011**

### **BACKGROUND**

In terms of s129 of the Municipal Finance Management Act, Act 56 of 2003, Council is required to consider its Annual Report and after suitable reflection and analysis, it is required to prepare and adopt an Oversight Report, which will be approved together with the final draft of the Annual Report.

It is the intention and full purpose of the Oversight Report, to provide comments and evaluation of the manner in which the annual report was written, from a technical perspective, a compliance perspective and in terms of the degree to which the Annual Report reflects an accurate account of performance and highlighted issues for the period under assessment. Any reservations in respect of structure or content are highlighted within the Oversight Report and taken into account at the point where Council makes a decision to approve the Annual Report, with or without reservations.

It is therefore the intention to evaluate and pass comment on the Annual Report in terms of content, structure, accuracy and compliance in terms of the manner and accuracy with which it is evaluated.

It is not the intention to go through the report line, by line and to "audit" the content of each and every paragraph ---- it is the intention to provide an overall oversight in terms of the issues mentioned above.

### **WORKSHOP - OVERSIGHT REPORT**

**14<sup>TH</sup> FEBRUARY 2012 :**

#### **Orientation of MPAC to Annual report**

The Legal & Compliance Manager briefed the Committee on their role and responsibility.

- The advert and public notice has been sent to be published.



- Copies of the Report will be available at each office of the Municipality with a Public Notice on the Notice Board for the Public.
- The dates and venues of the meeting until March.

### **Presentation of the Oversight Report Context and what it is required to incorporate.**

### **FACILITATION: CHARMAINE VAN SCHALKWYK CONSULTANTS FACILITATED THE OVERVIEW OF THE ANNUAL REPORT**

An overview of the role of MPAC in the process of compiling the oversight report was done with input from the MPAC and role players.

The linking of the Annual report to the IDP – the SDBIP – The performance report and the AFS's was explained and placed in context for the Committee.

The areas to be investigated and what MPAC members need to look out for and be aware of.

The Layout of the Annual report was then looked at chapter by chapter.

MPAC was briefed as to the 2010/2011 Annual Report and that it covered the old Council work and 2 months of the Newly elected Council and for this reason a Foreword is in the Report from the Former Mayor and the newly elected Mayor.

The need for a printers proof – that is a draft document which has the signatures of the MM – The Mayor and the AG is created for submission to Council and for circulation to the relevant institutions to meet reporting requirements .

MPAC: Focus on meeting time frames by Managers

GOALS: Must be SMART Simple & Specific – Measurable – Attainable – Relevant and Realistic and Time Based.

Understand Performance Management does not equal the assessment of the Sec 57 Managers BUT was an assessment tool of the Institution and how it was doing.

Examining each Chapter in context (overview on content, structure, accuracy, and gaps in information) ---with guided and constructive input & areas for discussion around points of concern/issues.

Annexed Summary Report and slides of the overview and introduction to the Annual report as well as areas for **MPAC** to take note of.

### **THE PROGRAM FOR THE WAY FORWARD**

### **MPAC RESOLVED THAT**





The Committee members use the training received to interrogate the Annual report in preparation of the next meeting.

The Strategic Manager prepare the outreach program with the Office of the Speaker and the Chair

The interim Chair attend on the Speaker to assist to provide office accommodation and resources to support the MPAC.

All committee members to submit queries – questions and clarities via the Chair to the Legal & resource to obtain responses from the advisors and specialists.

The program be implemented as follows:

**27<sup>TH</sup> FEBRUARY 2012 - DORDRECHT**

- **A thorough analysis of the AG's Response and the Response to the AG's Report with clarity on any financial issues being provided by Finance.**
- **Engaging with the Auditor General's Representative to gain additional clarity around issues throughout the report and specifically in respect of the AG Report and the Response and Audit Action Plan (ensuring that this adequately addresses identified needs).**

**5<sup>TH</sup> MARCH 2012 INDWE**

**Technical aspects relating to AR  
Public inputs received  
Assessment of Draft Oversight report**

**12<sup>TH</sup> MARCH 2012 – LADY FRERE**

**Presentation of Final Report**

**10. MEETING CLOSED**

**MINUTES OF THE MEETING AND WORKSHOP FOR THE EMALAHLENI MUNICIPAL  
PUBLIC ACCOUNTS COMMITTEE HELD ON THE 27 FEBRUARY 2012 IN THE  
LIBRARY, DORDRECHT**

**PRESENT WERE:**



## **COUNCILLORS**

CLLR L.MOOI  
CLLR T.KWATSHANA  
CLLR N.DLIKILILI  
CLLR N.PETER  
CLLR K.NKASELA

## **MANAGERS AND OFFICIALS**

MR A.STEMELA  
MR P.J. CLOETE  
MR N.W.MKUYANA  
MR G.GROENEWALD  
MR Z.DLOVA  
MR O.NDYUMBU  
MR M.NZIWENI  
MRS N. ROBOBOJI  
MRS T.FIHLA  
MRS B.MANGALI

## **VISITORS**

Ms T.PUTZIER  
MR F.BOTHMA  
MR R.PURUSHOTHAMAN

## **MPAC06/ 2012 OPENING & WELCOME**

The meeting was officially opened with a short prayer by Cllr L Mooi and thereafter welcomed everyone present in the meeting.

## **MPAC07 / 2012 NOTICE CONVENING THE MEETING**

Mr P.J.Cloete read the Notice Convening the meeting.

## **MPAC08 /2012 MPAC 03/2012 APPLICATION FOR LEAVE OF ABSENCE**

The apologies were noted for

Mr. N.J.Kwepile  
Ms N.Lungwengwe  
Ms N.Mnyengeza  
Mr. N.Mntuyedwa

MPAC requested the presence of Management at the next meeting.

## **MPAC09/2012 CONFIRMATION OF THE MINUTES 14 FEBRUARY 2012.**

### **RESOLVED:**

That the minutes were confirmed as a true reflection of the meeting held on the 14 February 2012.



## **MPAC 10/2012 ADOPTION OF THE AGENDA**

Cllr N.Peter moved for the adoption of the agenda and was seconded by Cllr N.Dlikilili.

## **MPAC 11/ 2012 MPAC OVERSIGHT ANNUAL REPORT 2010 2011**

### **BACKGROUND**

In terms of s129 of the Municipal Finance Management Act, Act 56 of 2003, Council is required to consider its Annual Report and after suitable reflection and analysis, it is required to prepare and adopt an Oversight Report, which will be approved together with the final draft of the Annual Report.

It is the intention and full purpose of the Oversight Report, to provide comments and evaluation of the manner in which the annual report was written, from a technical perspective, a compliance perspective and in terms of the degree to which the Annual Report reflects an accurate account of performance and highlighted issues for the period under assessment. Any reservations in respect of structure or content are highlighted within the Oversight Report and taken into account at the point where Council makes a decision to approve the Annual Report, with or without reservations.

It is therefore the intention to evaluate and pass comment on the Annual Report in terms of content, structure, accuracy and compliance in terms of the manner and accuracy with which it is evaluated.

It is not the intention to go through the report line, by line and to "audit" the content of each and every paragraph it is the intention to provide aoverall oversight in terms of the issues mentioned above.

### **SUMMARY: 14 FEBRUARY 2012 MPAC**

The Committee sat on the 14<sup>th</sup> of February and were taken through the Annual report and the areas of focus. The areas covered were

- Orientation of MPAC to Annual report
- Presentation of the Oversight Report Context and what it is required to incorporate
  - Examining each Chapter in context (overview on content, structure, accuracy, and gaps in information) --- guided and constructive discussion around points of concern/issues.

### **SUMMARY: 27<sup>TH</sup> FEBRUARY 2012**

### **FINANCIAL ANALYSIS**

An analysis of the Annual Financial statements and the resulting AG report was tabled.

An analysis of the Response to the AG's Report with clarity on any financial issues was provided by Finance and the AG.





The Auditor General's Representative provided insight as to the audit report and the areas of concern.

The proposed Audit Action Plan was reviewed with the committee noting that the action plan needed to focus on all departments and not only on the finance department.

The Chief Accountant further highlighted areas within Finance which were within the report and continued to be of concern:

## **AUDIT QUERIES:**

### **LAND AUDIT**

TIME LINES IN UPLOADING to the server – affected by the server capacity.

### **VALUATION**

The MPAC committee received a report on the valuation roll and not being captured on the system and that queries had been raised on the integrity of the valuation roll prepared.

Attempts had been made to contact and meet with the Service provider.

The MPAC committee requests a report from management on the following:

- MPAC requires a date to be set for the meeting by management with the Service Provider to discuss the matter

### **CORPORATE SERVICES**

Report to be tabled at next meeting –

ORGANOGRAM Budgeted Unbudgeted – filled not filled – time lines.

### **ACTION PLAN**

Lapsing of directive 4 lapsed – assets – 3 year exemption from adoption of GRAP and the implication.

ASSETS EG

ACCESS ROADS – MAPS TO SUPPORT

ELECTRIFICATION – POLES ETC ON SYSTEM

AG advised importance of applying our mind to GRAP implications and consult with him.

### **SUPPLY CHAIN MANAGEMENT** change policy to align PPP

Areas noted within the Finance Department were:



- Lack of leadership
- Lack of monitoring
- Poor or non-existent internal controls
- Poor risk management

Areas noted within the Audit Report

Failure to provide documentation to AG team major impact on the audit outcome.

Repetition of audit query items from previous years.

Need to focus on addressing basic issues raised in the audit report such as availability of management and providing data and documentary proof requested.

#### AUDIT ACTION PLAN

Must be implemented and monitored on a day to day basis.

Audit action plan must be implemented over a 18 to 24 month period

#### CRITICAL

Focus on

IDENTIFY top 5 priorities – and do them bit by bit.

Note the Chief Accountant is overstretched.

#### LAND AUDIT/ GIS

IMPLEMENT PROJECT BY 31 MARCH

#### ASSET REGISTER

DELOITTE attended to the first register

Each dept do full asset audit

RECONCILE ASSET REGISTER

Differences to council cannot vouch send to council to reconcile and write off

#### CONSEQUENCES OF THE ABOVE WEAKNESS

- Unauthorised expenditure
- Irregular expenditure
- Failure to provide supporting document

Detrimental audit outcome

#### WHAT HAS BEEN DONE SO FAR

- The Management has drafted an audit Action Plan and started implementation.
- Debtors sub-ledger is reconciled to the main ledger monthly.
- Staff are being trained on correct procedures of the financial system



- Standing instruction has been developed for ( supply chain, Revenue and expenditure.
- AFS's take on balances have been addressed and adjusted to address AG query.

#### **WHAT STILL NEED TO BE DONE**

- Obtaining of title deeds for municipal property
- Incomplete information captured on GIS
- Reconcile fixed asset register to the WIP register.
- Vat Reconciliation
- Identify and disclose investment property.
- Address server capacity

AUDIT ACTION PLAN ATTACHED.

AG PRESENTATION ATTACHED.

#### **PRESENTATION**

##### **THE MPAC COMMITTEE NOTED**

- The MPAC members were concerned about the impact on capacity as the Executive had not extended the consultants contract placing the Chief Accountant in a position of being overloaded..
- Emphasis on the urgency of the appointment of the CFO.
- Concern as to the Executive decision to stop the appointments and the impact on the delivery capacity of the municipal staff.
- Emphasis on the urgency for the matter to be addressed by management with the Executive and the critical budgeted post need to be identified and filled.
- MPAC Committee request the Section 57 (Managers) to attend the MPAC to provide answers.
- Need for the Supply Chain Processes to be revisited and policies need to be reviewed
- Each Sec 56 Manager should be responsible to manage their own asset register.

#### **RESOLVED**

The Management take note of the above inputs and integrate them into a plan of action.

The AG Check list be referred to Management to implement and incorporate into the Audit Action Plan.

The MPAC meeting and interrogation of the Annual Report will continue on the 05<sup>th</sup> March 2012.

#### **CLOSURE**

The meeting was adjourned @15h45.

**MINUTES OF MPAC COMMITTEE MEETING HELD ON THE 5<sup>TH</sup> MARCH 2012 HELD AT INDWE @ 10H00**





**PRESENT WERE:**

**Cllr L. Mooi**                      **Chairperson**  
**Cllr T. Kwatshana**  
**Cllr N. Dlikilili**  
**Cllr N. Peter**  
**Cllr K. Nkasela**  
**MANAGERS AND OFFICIALS**

MR N.J. KWEPILE - MM                      MISS N. LUNGWENGWE  
MR N. MNTUYEDWA                      MR P.J. CLOETE  
MISS N. MNYENGEZA  
MS N. ROBOJI  
MR Z.DLOVA  
MS T.SOYAMBA  
MS B.MANGALI  
Audit Committee  
MS T.PUTZIER

**CONTINUATION OF THE MPAC MEETING HELD ON THE 27 FEBRUARY 2012.**

**MPAC 11/ 2012**

**OPENING & WELCOME**

Cllr L.Mooi declare the meeting opened and thereafter welcomed everyone present to the meeting, appreciating the attendance of the Managers and expressing appreciation to the MM for coming from his sick leave to be part of this important meeting.

**MPAC 12/ 2012**

**NOTICE CONVENING THE MEETING**

Mr P.J.Cloete read the Notice Convening the meeting.

**MPAC 13/ 2012**

**APPLICATION FOR LEAVE OF ABSENCE**

Mr Bothma

Mr Rama Purushotoman

Mr A.Stemela

Mr W.Mkuyana



## **MPAC 14/ 2012**

### **ADOPTION OF THE AGENDA**

Cllr N.Dlikilili moved for the adoption of the agenda and was seconded by Cllr N.Peter.

## **MPAC 15/ 2012**

### **MPAC OVERSIGHT ANNUAL REPORT 2010/ 2011**

A summary of the deliberations of the meeting of the 27<sup>th</sup> February 2012 was done whereafter Mr Dlova continue with the Action Plan. Ms N.Lungwengwe to make the presentation of the recruitment process of Emalahleni Local Municipality hence there are unfilled vacancies.

#### **MATTERS ARISING FROM THE PRESENTATION - FINANCE – AUDIT ACTION PLAN**

- Needs to be addressed throughout the Municipality departments and not just finance
- MPAC discussed following
  - Ownership of budget controls responsibility of all HOD's
  - SCM process – Must be managed by each HOD – all departments must submit requisition against budget and with supporting documentation – ensure process in place to control invoices from supplier to finance
    - Plan a Workshop on how to process and deal with requisitions
    - From 01 February – now implemented pay from creditors module SEBATA
    - Errors have been picked up end Feb and need to be addressed.
  - Control of distribution losses on water and electricity
    - Zonal controls to pick up municipal buildings to be investigated as a control measure
  - Management of Credit control and debt collection process.
  - AG will assist with final template

Query: Audit Chair – Looking at the Annual report and problems can we assess from 01 July to see if we are in line and checks and balances in place

- Finance has introduced monthly recon's for current year – and checking and reconciling
- Exception creditors – only done since February

It was noted with concern that Mr Groenewald's contract had ended and he had left– no plan to fill.

The Audit Committee Chair – Raised concern as to the vacuum this had created and the impact on addressing the issues from the last annual report stating that we cannot leave everything to the Chief Accountant.



Question asked how do we deal with matter and how do we raise and address the audit queries.

- Management noted concern – reported that the management went to Council to renew for 3 months - Council declined and indicated the contract proceed on a month to month basis which was unacceptable to the Service Provider and he left
- No CFO in place as the Acting CFO also had competency questioned and resigned 29 february 2012.
- Must get service provider to assist CA urgently

MPAC requested a caucus break to discuss matters with Audit Chair

Break to discuss as MPAC

MPAC raised following:

If looking at the Annual Report and in particular the audit report and the audit action plan MPAC recorded their concerns as to the impact on the action plan and what was the right direction of ELM. The municipality was already in the 3<sup>rd</sup> quarter of financial year and working without a CFO or the support of the consultant which was directly having a negative impact on the audit action plan before MPAC.

MPAC recorded their concern with the lack of capacity and key posts being filled resulting in a failure to carry out the core business in the absence of these strategic employees thus directly affecting the annual report and the outcome of the audit action plan in the report.

## **RESOLVED**

Noted issues raised and to be placed on separate MPAC Agenda.

## **PRESENTATIONS cont**

Finance continued presentation –

Accepted by MPAC

MPAC must report matter and concern

## **REPORT OF ORGANOGRAM RE ANNUAL REPORT**

Delay in filling posts – only critical posts to be filled – EXCO and Council confirmed only fill critical posts

Area of concern was in AG report

Finance – many vacant posts – Report on process – re advertise posts in current organogram

Fin raised issue as to proposed structure re finance into proposed organogram.

## **AUDIT COMMITTEE REPORT**

ISSUES RAISED:

Page 316 – Not satisfied with report ..timeous submission....





Note include in the Oversight!!

## PERFORMANCE

2009/2010 not evaluated or assessed

Performance deficiencies – follow procedure to correct errors.

Performance framework in place but needs to be better utilised to achieve better performance and thus improved service delivery.

It is hereby

## RESOLVED THAT:

MPAC noted that in the assessment of the Annual report 2010/2011 it was clear that the lack of leadership and the failure of the CFO to implement financial management was a major concern and the factor giving rise to the majority of the disclaimers in the Audit Report. In order to address this in the current year for the Audit Action Plan of the Annual report to work the MPAC highlighted:

the urgency of the appointment of a CFO by at least 1 June 2012 emphasised.

The need to identify and put in place support to the Chief Accountant in the interim for the continuation of the work done in finance

The need to ensure that the PMS Framework is complied with and that evaluations and assessments are brought up to date.

Management urgently address the budgeted but unfilled posts in the organogram, prioritise them and fill them.

MPAC receive monthly reports from Management on progress of Audit Action Plan and implementation of the above matters.

**MPAC RESOLVED that the MEETING OF 12<sup>TH</sup> MARCH 2012 POSTPONED TO 22 MARCH 2012**

## CLOSURE

**The Chairperson declare the meeting closed @ 12h30**



**MINUTE OF THE EMALAHLENI MUNICIPAL PUBLIC ACCOUNTS COMMITTEE HELD  
AT 37 INDWE ROAD, LADY FRERE, AT 09H30 ON THURSDAY 22<sup>ND</sup> & 23<sup>RD</sup> MARCH  
2012 IN THE COUNCIL BOARD ROOM, LADY FRERE.**

**COUNCILLORS**

**Cllr L. Mooi**  
**Cllr T. Kwatshana – absent 22<sup>nd</sup> present 23<sup>rd</sup> March**  
**Cllr N. Dlikilili**  
**Cllr N. Peter**  
**Cllr K. Nkasela**

**MANAGERS**

**MR PJ CLOETE**

**MR A STEMELA**

**Ms N ROBOJI**

**MPAC 16/2012**

**OPENING & WELCOME**

The Chairman opened the meeting and welcomed all present.

**MPAC 17/2012**

**APPLICATION FOR LEAVE OF ABSENCE**

**Cllr Kwatshana for 22<sup>nd</sup>**

**MR N.J. KWEPILE - MM**

**MISS N. LUNGWENGWE**

**MR N. MNTUYEDWA**

**MISS N. MNYENGEZA**

**MR N.W. MKUYANA**

**AG REPRESENTATIVE**

**AUDIT COMMITTEE**

Apologies were noted and accepted



## **MPAC 18/2012**

### **ADOPTION OF AGENDA**

Agenda was adopted.

## **MPAC 19/2012**

### **ADOPTION OF THE MINUTES**

RESOLVED:

The minutes of the MPAC meeting of the 27<sup>th</sup> February 2012 & 5<sup>th</sup> March 2012 were adopted.

## **MPAC 20/2012**

### **MPAC OVERSIGHT - ANNUAL REPORT 2010 2011**

The Oversight report from the MPAC deliberations will be tabled at the meeting.

### **BACKGROUND**

In terms of s129 of the Municipal Finance Management Act, Act 56 of 2003, Council is required to consider its Annual Report and after suitable reflection and analysis, it is required to prepare and adopt an Oversight Report, which will be approved together with the final draft of the Annual Report.

It is the intention and full purpose of the Oversight Report, to provide comments and evaluation of the manner in which the annual report was written, from a technical perspective, a compliance perspective and in terms of the degree to which the Annual Report reflects an accurate account of performance and highlighted issues for the period under assessment. Any reservations in respect of structure or content are highlighted within the Oversight Report and taken into account at the point where Council makes a decision to approve the Annual Report, with or without reservations.

It is therefore the intention to evaluate and pass comment on the Annual Report in terms of content, structure, accuracy and compliance in terms of the manner and accuracy with which it is evaluated.

It is not the intention to go through the report line, by line and to "audit" the content of each and every paragraph ---- it is the intention to provide an overall oversight in terms of the issues mentioned above.

**Meetings were held on the :**

**14<sup>TH</sup> FEBRUARY 2012 :**





- Orientation of MPAC to Annual report
- Presentation of the Oversight Report Context and what it is required to incorporate
  - Examining each Chapter in context (overview on content, structure, accuracy, and gaps in information) ---and welcoming guided and constructive discussion around points of concern/issues.

#### **27<sup>TH</sup> FEBRUARY 2012**

- Any Remaining chapters – if any.
- A thorough analysis of the AG's Response and the Response to the AG's Report with clarity on any financial issues being provided by Finance.
- Engaging with the Auditor General's Representative to gain additional clarity around issues throughout the report and specifically in respect of the AG Report and the Response and Audit Action Plan (ensuring that this adequately addresses identified needs).

#### **5<sup>TH</sup> MARCH 2012**

Technical aspects relating to AR  
Public inputs received  
Assessment of Draft Oversight report

#### **22 March 2012 –**

The Final Oversight report was tabled to MPAC and discussed.  
Corrections were made in the meeting

#### **23<sup>rd</sup> March**

The MPAC Committee agreed to review the report overnight and reconvene on the 23<sup>rd</sup> March 2012 for a Final session of input and decision.

#### **RESOLVED**

**The MAC members met on the 23<sup>rd</sup> March 2012 and resolved to adopt the oversight report with recommendations to Council and MPAC Chair to table the report at the ordinary council meeting.**

CLOSURE.



## ADVERT ANNUAL REPORT

### ANNUAL REPORT

#### IN COMPLIANCE OF THE TERMS OF SECTION 21 (A) OF THE MUNICIPAL SYSTEMS ACT, NO.32 OF 2000 AND SECTION 127(5) OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Members of the Public, Communities within Emalahleni Municipality, Government institutions, private sector and Civil Society Organizations are hereby invited to comment on the Annual Report for Emalahleni Municipality for the 2010/2011 Financial Year which report was tabled at the Special Council Meeting of 31<sup>st</sup> January 2012.

Hard copies of the report will be available for inspection in the following areas:

- Emalahleni Municipal Offices;
  - Indwe;
  - Dordrecht; and
  - Lady Frere.

Any person who cannot write may visit the aforementioned offices as stated, and receive assistance in compiling his/her comments or representations.

Written representations or Submissions must be made by Wednesday 29<sup>th</sup> February 2012 and must be handed in at the respective municipal offices addressed as "SUBMISSION ANNUAL REPORT" – FOR ATTENTION MUNICIPAL MANAGER.

Or if posted to be addressed to:

**The Municipal Manager**

**EMALAHLENI MUNICIPALITY**

**PRIVATE BAG X1161**

**LADY FRERE, EASTERN CAPE 5410**

**THE EMALAHLENI MUNICIPAL PUBLIC ACCOUNTS COMMITTEE** will meet to consider the Annual report and compile the oversight report for Council on the following dates:

NO	DATE & TIME	VENUE
1	14 <sup>TH</sup> FEBRUARY – 09H30	THE COUNCIL BOARD ROOM, LADY FRERE.
2	27 <sup>TH</sup> FEBRUARY- 09H30	
3	05 <sup>TH</sup> MARCH - 09H30	
4	12 <sup>TH</sup> MARCH - 09H30	THE COUNCIL BOARD ROOM, LADY FRERE.

**N J KWEPILE MUNICIPAL MANAGER**



**EMALAHLENI MUNICIPALITY**  
**OVERSIGHT REPORT AND ANNUAL REPORT**  
**2010/2011**

**IN COMPLIANCE OF THE TERMS OF SECTION 21 (A) OF THE MUNICIPAL SYSTEMS ACT, NO 32 OF 2000 AND SECTION 129(3)(5) OF THE MUNICIPAL FINANCE MANAGEMENT ACT 56 OF 2003**

The Municipal Manager hereby notifies Members of the public, communities within Emalahleni Municipality, government institutions, private sector and Civil Society Organizations that the Emalahleni Municipality received from the Municipal Public Accounts Committee the Oversight Report and adopted the 2010/2011 Annual Report with reservations contained in the oversight report.

Hard copies of the Oversight Report and Annual report as adopted are available at the Emalahleni Municipal Offices;

- Indwe;
- Dordrecht; and
- Lady Frere.

Any person who cannot read may visit the aforementioned offices as stated, and receive assistance.

**N J KWEPILE**

**MUNICIPAL MANAGER**

**37 INDWE ROAD**

**LADY FRERE**

**EMALAHLENI MUNICIPALITY**

**PRIVATE BAG X1161**

**LADY FRERE, EASTERN CAPE 5410**





## ELM 23/2112 MPAC DATES

The dates for MPAC Committee were tabled to the meeting.

Cllr V.Jordaan moved for the schedule of MPAC committee as it is and was seconded by Cllr T.Kulashe.

It was

### RESOLVED THAT:

The Council take note and adopt of the dates for MPAC for 2012.

Feb 2 MEETINGS	March 2MEETINGS	April	May	June
AR OVERSIGHT SEC 72 14 <sup>TH</sup> & 27 <sup>TH</sup>	AR OVERSIGHT 5 <sup>TH</sup> & 12 <sup>TH</sup>	QUARTERLY 23 <sup>RD</sup>	MEET 28 <sup>TH</sup>	MEET 11 <sup>TH</sup>

July	August	Sept	Oct	Nov	Dec
QUARTERLY 16 <sup>TH</sup>	MEET 20 <sup>TH</sup>	AFS 17 <sup>TH</sup>	QUARTERLY 15 <sup>TH</sup>	MEET 12 <sup>TH</sup>	MEET AG REPORT 03 <sup>RD</sup>



## **EMALAHLENI COUNCIL MEETING 30 MARCH 2012: ITEM ELM 41/2012**

### **RECOMMENDATION TO COUNCIL TO RESOLVE:**

Accordingly the Municipal Public Accounts Committee (MPAC) of Emalahleni Municipality recommends to Council that:

- 7.1 The Council take note of the Oversight Report of the MPAC on the Annual Report for the period 2010/2011, as submitted to Council.
- 7.2 The Council having fully considered the 2010/2011 Annual Report of the municipality and representations made thereon, adopts the 2010/2011 MPAC Oversight Report and;
- 7.3 Council approves the 2010/2011 Annual Report with reservations contained in the MPAC Oversight Report under issues and corrective actions; and
- 7.4 The Issues and Corrective Action be developed into an implementation plan by management and together with the Audit Action Plan and Checklist become a standing item on the monthly MPAC meetings
- 7.5 The MPAC Oversight Report be made Public in accordance with the prescripts of the MFMA and be submitted to the relevant stakeholders.