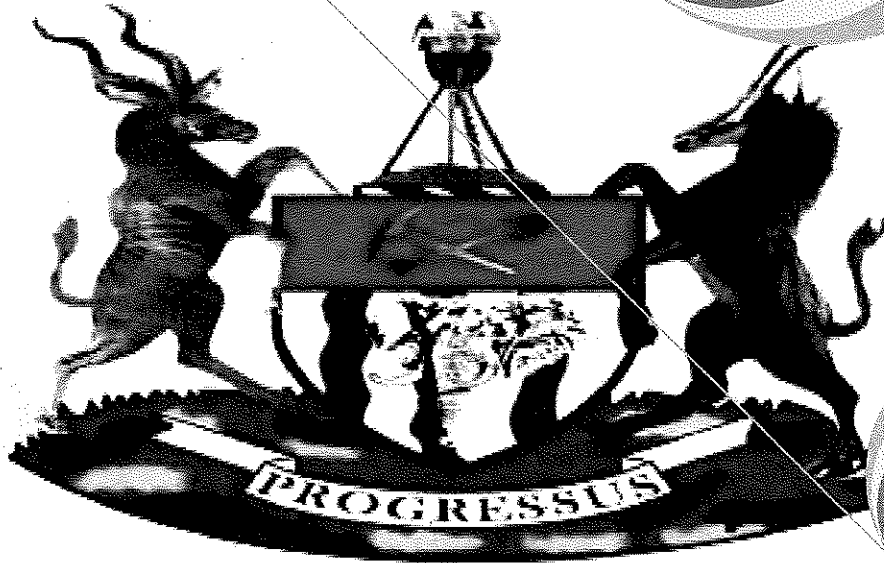


BA-PHALABORWA MUNICIPALITY



MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

OVERSIGHT REPORT 2017/18

**OVERSIGHT REPORT REGARDING 2017/18 ANNUAL
REPORT
OF BA-PHALABORWA MUNICIPALITY**

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1. Introduction

In terms of section 127(2) of the MFMA the Mayor of the municipality must, within seven months after the end of the financial year, table in the municipal council the annual report of the municipality. Section 129 (1) of the MFMA indicate that the council of a 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 council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council-

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report;
- (c) has referred the annual report back for revision of those components that can be revised.

and section 130 of the MFMA (1) indicate that the meetings of a municipal council at which an annual report is to be discussed or at which decisions concerning an annual report are to be taken, must be open to the public and any organs of the state. Section 132 (1) and (2) of the MFMA says the Accounting officer submit the annual report and Oversight report to the Provincial legislature within seven days after the municipal council has adopted the relevant oversight report in terms of section 129(1)

2. The purpose of the Annual Report

- (i) Provide a record of the activities of the municipality.
- (ii) Provide a report on performance in service delivery and against the budget.
- (iii) Provide information that supports the revenue and expenditure decisions made.
- (iv) Promote accountability to the local community for the decision made.

The council is vested with the responsibility to oversee the performance of the municipality, as required by the Constitution.

3. Legislative Mandate

The Municipal Public Account Committee as per mandate guided by the following Legislations; The Municipal System Act,32 of 2000;Municipal Structures Act,117 of 1998;Municipal Finance Management Act,56 of 2003 and the Constitution of South Africa Act,108 of 1996,with other guides and regulations from National treasury check whether the information contained in the Annual Report is fair and reasonable, and record of the performance of the Municipality and properly accounts for the actions of the municipality in the financial year reported upon.

4. Members of the Committee (MPAC):

Cllr Pilusa KO (MPAC Chairperson)

Cllr Peta KA

Cllr Shayi S

Cllr Malatjie TC

Cllr Mampuru NJ

Cllr Mashumu SP (Replace by Cllr Maake NB)

Cllr Ramothwala B

5. 2017/18 Annual Report Consultative Process

The Annual Report was tabled and noted in council of the 28 January 2019, reporting on the municipality's performance for the period of 1 July 2017 to June 2018. The Community was advised through public notices in the printed media and municipal website as from the 1st February 2019. Copies of the 2017/18 Draft Annual report were distributed to all local libraries, Traditional Authorities also to the other Municipalities offices around Ba-Phalaborwa. Community was advised to present their comments on the Annual report and the closing date for submission 28 February 2019.

6. Findings

1. That AG raised concern with regard to all key projects.
2. That there's high payment of overtime hours at technical department.
3. That the municipality does not have a plan in place to achieve its mission and vision.

7. Comments from the public

No comments received from the public.

8. Recommendations

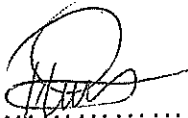
The Municipal Public Accounts Committee recommends:

1. That Council note the Oversight Report for 2017/18 financial year.
2. That Council approve the Annual Report without reservation.
3. That MPAC be given approval by Council to investigate all key projects.
4. That Management strengthen the control of overtime in all the departments and report back to Council.
5. That Planning department assist the municipality to develop a plan that will assist the municipality to be a tourist destination of choice.

9. Annexures

The following documents will be attached in the Oversight report.

- 6.1 Schedule for considering 2017/18 Annual Report
- 6.2 Questions and responses.
- 6.3 Working template for considering the Annual Report.
- 6.4 MPAC attendance register and minutes.
- 6.5 Public notice.



Pilusa KO

MPAC Chairperson

29/03/2019

Date

Information required to be included in annual reports	Council Considerations	Questions	Is the required information included in the Annual Report? YES / NO	If the answer is NO – [questions/requirements]	Comments from the members of the Oversight Committee	Decision of the Committee? APPROVE / APPROVE WITH RESERVATIONS / REJECT / REFERRED BACK FOR REVISIONS
<p>FINANCIAL MATTERS</p> <p>1. The annual financial statements [AFS] for the municipality and, if applicable, consolidated statements [with all entities] as submitted to the Auditor General.</p>	<p>Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the new accounting standards for municipalities.</p>	<p>Have the required standards been met – refer audit report and report of audit committee for views on this? [Applies also to AFS of municipal entities].</p>	<p>Yes</p>		<p>Committee unsatisfied with quality of AFS.</p>	<p>Approved with reservation.</p>
<p>2. The Auditor General's report on the financial statements of the municipality and the entity</p>		<p>Is the audit report included in the annual report as tabled? When will the audit report be tabled? What are the causes for the delays? What actions are being taken to expedite the report?</p>	<p>yes</p>			<p>Approved</p>
<p>3. Any explanations that may be necessary to clarify issues in connection with the financial statements.</p>	<p>The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS.</p>	<p>Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?</p>	<p>Yes</p>			<p>Approved</p>
<p>4. An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities.</p>		<p>Has an adequate assessment been included? [Applies to AFS of municipal entities]. Is there sufficient explanation of the causes for the arrears and of actions to be taken to remedy the situation? Is any other action required to be taken?</p>	<p>No</p>		<p>There are no breakdowns</p>	<p>Rejected</p>

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5. Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	The conclusions of the annual audit may be either – - an unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; - a qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or - the auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed. The objective of the municipality should be to achieve an unqualified audit opinion.	Taking into account the audit report, audit opinion and the views of the audit committee, council should consider: To what extent does the report indicate serious or minor financial issues? To what extent are the same issues repeated from previous audits? Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? Has a schedule of action to be taken been included in the annual report, with appropriate due dates?	Yes		Action plan is there but not adhered to.	Approved with reservation.
6. An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget	The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s17(3)(b)). The accounting officer must include these objectives in the annual report and report on performance accordingly. Council should comment and draw conclusions on performance and explanations provided.	Has the performance met the expectations of council and the community? Have the objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget?	No		Accounting officer had this for reasons for three consecutive years but no implementation	Rejected

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7	An assessment by the accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and the municipality	Agreements between the municipality and its entities for service delivery are to include measurable performance objectives. This will include measures of services delivered to the community, financial targets, expenditure targets etc. The entity's annual report must include an assessment by the accounting officer, of performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the performance of entities. Council should comment and draw conclusions on performance and explanations provided.	<p>Has the performance met the expectations of council and the community? Have the performance objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget?</p>	No		Accounting officer had this for reasons for three consecutive years but no implementation	Rejected
8.	Any information as determined by the municipality, the entity or its parent municipality	Review any other information that has been included in regard to the AFS. The above applies also to the AFS of municipal entities.		Yes		Additional information provided but not accurate	Approved with reservations
9.	Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities	Conclusions on these recommendations and the actions required should be incorporated in the oversight report.	<p>Have the recommendations of the audit committee with regard to the AFS been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations?</p>	Yes		Audit committee appointed very late.	Approved with reservations

Information required to be included in annual reports	Council Considerations	Questions	Is the required information included in the Annual Report? YES / NO	If the answer is NO – [questions/requirements]	Comments from the members of the Oversight Committee	Decision of the Committee? APPROVE / APPROVE WITH RESERVATIONS / REJECT / REFERRED BACK FOR REVISIONS
<p>ALLOCATIONS RECEIVED AND MADE</p> <p>Allocations received by and made to the municipality</p>	<p>The report should disclose:</p> <ul style="list-style-type: none"> - Details of allocations received from another organ of state in the national or provincial sphere. - Details of allocations received from a municipal, entity or another municipality. - Details of allocations made to any other organ of state, another municipality or a municipal entity. - Any other allocation made to the municipality under Section 214(1)(c) of the Council Constitution. <p>should comment and draw conclusions on information and explanations provided.</p>	<p><i>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action?</i></p>	Yes			Approved
<p>Allocations received and made to the municipal entity</p>	<p>The report should disclose:</p> <ul style="list-style-type: none"> - Details of allocations received from any municipality or other organ of state. - Details of any allocations made to a municipality or other organ of state. <p>Other information as may be prescribed. Council should comment and draw conclusions on information and explanations provided.</p>	<p><i>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action?</i></p>	Yes			Approved

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12 Information in relation to the use of allocations received	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ul style="list-style-type: none"> - The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. 	<p>Council should be satisfied that –</p> <ul style="list-style-type: none"> - the information has been properly disclosed; - conditions of allocations have been met; and - that any explanations provided are acceptable. 	Yes			Approved
	<ul style="list-style-type: none"> - Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, 					

		details of the reasons for non-compliance are to be provided.							
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	<p>-Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.</p> <p>This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation.</p> <p>The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received.</p> <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>					

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13	<p>Information in relation to outstanding debtors and creditors of the municipality and entities</p>	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds.</p> <p><i>Council should be satisfied that</i></p> <ul style="list-style-type: none"> - the information has been properly disclosed; - conditions of allocations have been met; and - also that any explanations provided are acceptable. <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	Yes		Inaccurate information to debtors	Approved with reservation.

Information required to be included in annual reports	Council Considerations	Questions	Is the required information included in the Annual Report? YES / NO	If the answer is NO -- [questions/requirements]	Comments from the members of the Oversight Committee	Decision of the Committee? APPROVE / APPROVE WITH RESERVATIONS / REJECT / REFERRED BACK FOR REVISIONS
DISCLOSURE IN NOTES TO AFS	CONSIDERATIONS RELATING TO SECTION 124					

Information required to be included in annual reports	Council Considerations	Questions	Is the required information included in the Annual Report? YES / NO	If the answer is NO - [questions/requirements]	Comments from the members of the Oversight Committee	Decision of the Committee? APPROVE / APPROVE WITH RESERVATIONS / REJECT / REFERRED BACK FOR REVISIONS
	<p>Council should be satisfied that</p> <ul style="list-style-type: none"> • the information has been properly disclosed; • conditions of allocations have been met; and • that any explanations provided are acceptable. <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>					
<p>MUNICIPAL PERFORMANCE</p> <p>15 The annual performance reports of the municipality and entities</p>	<p>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. Questions that may be considered are [next column]. Council should comment and draw conclusions on information and explanations provided.</p>	<p>Has the performance report been included in the annual report? Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report? Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year? In terms of key functions or services, how has each performed? Eg. have backlogs for water, sanitation and electricity been reduced? What are</p>	<p>Yes</p>		<p>The reports are included but they are incomplete. Council resolutions are not implemented.</p>	<p>Approved with reservation.</p>

			<p>the refuse collection volumes, library usage statistics etc?</p> <p>To what extent has performance achieved targets set by council?</p> <p>Is the council satisfied with the performance levels achieved?</p> <p>Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents?</p> <p>What were the outcomes of public consultation and public hearings?</p> <p>What actions have been taken and planned to improve performance?</p> <p>Is the council satisfied with actions to improve performance?</p> <p>Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?</p> <p>Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</p> <p>Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</p> <p>To what extent have actions planned for the</p>				
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16	Audit reports on performance	Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually.	<p>previous year been carried over to the financial year reported upon? Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?</p> <p>Yes</p>	<p>Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?</p> <p>Yes</p>	The recommendations by internal audit are not fully implemented.	Approved reservations with
17	Performance of municipal entities and municipal service providers	The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered.	<p>Is the council satisfied with the evaluation and conclusions of the municipality? What other actions are considered necessary to be taken by the accounting officers?</p> <p>Yes</p>	<p>Service level agreement not benefiting the Municipality.</p>	Approved reservations	with
18	For municipal entities -- an assessment of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other	This is the separate report of the municipal entity and should contain details of service delivery agreements with the municipality and the performance measures therein.	<p>To what extent were the objectives and performance measures of the entity aligned to the overall strategic objectives of the municipality and its IDP?</p> <p>Yes</p>	Pre-determined objectives incorrect.	Approved reservations	with

	agreement between the entity and municipality	Council should consider similar issues to that outlined above for municipal performance to determine a view on the performance of municipal entities.	Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality? What specific actions should be taken by the entity and the municipality to improve performance?						
	GENERAL INFORMATION	THE FOLLOWING GENERAL INFORMATION IS REQUIRED TO BE DISCLOSED IN THE ANNUAL REPORT.							
19	Relevant information on municipal entities	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses and contact details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.							
20	The use of any donor funding support		What donor funding has the municipality received? Have the purposes and the management agreements for the funding been properly agreed upon? Have the funds been used in accordance with agreements? Have the objectives been achieved? Has the use of funds been	Yes	Approved reservation.	with	with	with	with
						Targets not met.			

21	Agreements, contracts and projects under Private-Public-Partnerships	Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.	effective improving services to the community? What actions need to be taken to improve utilisation of the funds?	Yes	Target not met.	Approved reservation.	with
22	Service delivery performance on key services provided	This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report and or in statistical tables.		Yes		Approved	
23	Information on long-term contracts	Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.		Yes	Liability to the Municipality not taken into cognizance (failing to plan forward when budgeting)	Approved reservation.	with
24	Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services.		Yes	No value for money.	Approved reservation.	with

	with statutory obligations	Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.																																																																									
25	Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant [MIG] framework	A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.	OTHER CONSIDERATIONS RECOMMENDED	Yes	Approved																																																																						
26	Timing of reports			Was the report tabled in the time prescribed? Has a schedule for consideration of the report been adopted? What	Yes	Approved																																																																					
27	Oversight committee or																																																																										

			<p>mechanisms have been put in place to prepare the oversight report? Has a schedule for its completion and tabling been adopted?</p>	<p>Yes</p>	<p>Approved</p>
<p>28</p> <p>other mechanism</p>	<p>Payment of performance bonuses to municipal officials</p>	<p>Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report.</p> <p>Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.</p>	<p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council? If so has a proper evaluation of performance been undertaken? Was the evaluation approved by council? Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report? Are the payments justified in terms of performance reported in the annual report?</p>	<p>Yes</p>	<p>Approved</p>



28/03/2019