



SEKHUKHUNE
District Municipality

Private Bag X8611
Groblersdal
0470
3 West Street
Groblersdal 0470
Tel: (013) 262 7300
Fax: (013) 262 3688
E-Mail: sekinfo@sekhukhune.co.za

Municipal Public Accounts Committee (MPAC) Oversight Report on the Draft Annual Report for the 2017/2018 financial year

28 March 2019

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Abbreviations and Acronyms

AG	:	Auditor General
AR	:	Annual Report
AWA	:	Absence without Apology
Cllr	:	Councillor
IDP	:	Integrated Development Plan
IWS	:	Infrastructure and Water Services
LoA	:	Leave of Absence
MFMA	:	Municipal Finance Management Act [Act No. 56 of 2003]
MPAC	:	Municipal Public Accounts Committee
MSA	:	Municipal Structures Act [Act No. 117 of 1998]
SDM	:	Sekhukhune District Municipality

Foreword by the Chairperson


This report is tabled to Council in fulfilment of the Municipal Public Accounts Committee's legislated obligations provided for in the MSA and MFMA, especially as these relate to the primary function of exercising oversight over the Executive and promoting transparency and democratic accountability within the Sekhukhune District Municipality (SDM). Section 129 of the **MFMA** requires the Council to consider the annual reports of its municipality and municipal entities and adopt an oversight report containing the Council's comments on each annual report. The oversight report must include a statement on whether the Council –

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

Looking backward on the year under review, the municipality has, according to the Auditor General, maintained an Unqualified Opinion with the following matters of emphasis:

- Significant uncertainties;
- Restatement of corresponding figures;
- Unauthorised Expenditure;
- Fruitless and Wasteful Expenditure;
- Irregular Expenditure; and,
- Material losses in water distribution to the indigents and spillages.

The Committee would like to take this opportunity to thank the Executive Mayor, the Speaker and the Chief Whip of Council for their support and cooperation. The work ethic displayed by the Accounting Officer and her administrative team has not gone unnoticed. We are also grateful to the people of Sekhukhune and other role-players for their contribution and assistance as we strove to ensure the realisation of good governance, transparency and democratic accountability.



Cllr. Kukie Sefala

MPAC Chairperson

27/03/2019

Date

1. Introduction

The Council has appointed the **MPAC** as a Standing Committee in terms of Section 79 of the **MSA**. The Committee is expected to play an oversight role and promote democratic accountability and transparency in the municipality.

The Draft Annual Report was tabled before the Council on the 30th January 2019 and was then referred to the **MPAC** for further interrogation and oversight.

The Committee was expected to consider the Annual Report including the Auditor General's report and its findings for the 2017/2018 financial year and formulate an oversight report with recommendations to the Council.

2. Members of the Municipal Public Accounts Committee.

During the 2017/2018 financial year, the **MPAC** consisted of the following Councillors:

Surname and initials	Designation	Political Party
Sefala KRE	Chairperson	ANC
Mabatane MC	Member	ANC
Maila SM	Member	DA
Maisela RP	Member	ANC
Malapane SS	Member	EFF
Mamogale MF	Member	ANC
Mhlanga CT	Member	Bolshevik
Motlafe MG	Member	ANC
Mtsweni BW	Member	EFF

3. Circulation of the Annual Report

The draft Annual Report was made available to the public from the 4th February 2019 and was also placed on the municipality's website, i.e. www.sekhukhunedistrictmunicipality.gov.za. Public notices were also circulated to all the four local municipalities in the district as well as Traditional Councils, inviting members of the public to attend and participate during the public participation sessions on the Annual Report referred to hereunder.

4. Methodology and Fact Finding

A two-pronged information gathering methodology was followed by the **MPAC**. The Committee decided that it would be both prudent and sensible to solicit contributions on the Annual Report from members of the public and various stakeholders through meetings and public participation sessions.

4.1. MPAC Meetings.

The Committee held two working sessions on the 11th March 2019 and 12th March 2019 at Loskop Valley Lodge, to interrogate the draft annual report and also managed to meet on the 19th March 2019 and 25th March 2019 respectively to approve and validate the completeness of the information outlined in the draft annual report 2017/2018.

4.2. Public Participation.

The Council approved a Public Participation programme inviting inputs and comments from the public and other stakeholders. The meetings were held as follows:

Date	Venue	Municipality	Stakeholder Group
Feb 6, 2019	Groblersdal Fire Station	SDM	SDM Employees
Feb 15, 2019	George Guest House	SDM	Dikgoši
Feb 18, 2019	Legolaneng Sports Ground	Elias Motsoaledi	General Public
Feb 19, 2019	Moomane Community Hall	Ephraim Mogale	General Public
Feb 22, 2019	Eensaam Mover	Makhuduthamaga	General Public
Feb 26, 2019	Mohlatse Community Hall	Fetakgomo Tubatse	General Public
Feb 28, 2019	Fetakgomo Tubatse Municipal Chamber, B/Fort	SDM	Labour and Business
Mar 5, 2019	Makhuduthamaga Municipal Chamber, Jane Furse	SDM	Special Groups
Mar 7, 2019	Elias Motsoaledi Municipal Chamber, Groblersdal	SDM	Labour and Special Groups

The Accounting Officer delegated senior managers to attend and answer questions raised in the aforementioned meetings and the **MPAC** support staff were in attendance to observe and record the proceedings.

4.3. Public Hearing

A Public Hearing was held on Monday, 18th March 2019, where the Executive Mayor and the Accounting Officer was responding and clarifying on issues and questions raised by **MPAC** pertaining to the 2017/2018 Draft annual report, the audited financial statements and the Auditor General's report.

5. Summary of Submissions received from the Community and other Stakeholders

The Committee noticed that most issues raised by the communities were relating to the IDP and more on service delivery challenges.

Generally, **water provision, VIP toilets, Electricity and Paving and re-gravelling of roads** were registered as common issues.

A number of Stakeholders and Community Members were concerned about the 36 percent performance of the Infrastructure and Water Services Department.

6. Annual Financial Statements

The Committee noted that the Sekhukhune District Municipality and the Sekhukhune Development Agency maintained an Unqualified Audit Opinion with the following matters of emphasis:

- Significant uncertainties;
- Restatement of corresponding figures;
- Unauthorised Expenditure;
- Fruitless and Wasteful Expenditure;
- Irregular Expenditure; and,
- Material losses in water distribution to the indigents and spillages.

In our engagement with the Executive Mayor and the Accounting Officer during the Public Hearing on the 18th March 2019, it became clear that the municipality need to improve its internal control environment and ensures that the Audit action plan is monitored and managed weekly. The work of the Audit steering Committee needs to be strengthen.

7. Conclusion

The Committee welcome the fact that an Audit Steering Committee was established to monitor weekly reports on the implementation of the Audit action plan. Circular 32 from the National Treasury determines that the municipality and municipal entities are required to table in Council by 31st January of each year an Annual Report for the previous financial year.

The Council must consider the reports and adopt on the oversight by 31st March of each year. Looking at the time lines, it is suggested that the Sekhukhune District Municipality should approve the draft Annual Report by at least December of each year, so that the Committee can have enough time for investigations and discussions on the draft Annual Report.

8. Recommendations

The **MPAC** makes the following recommendations:

- 8.1 That Council should direct the Accounting Officer to establish a task team for the proofreading of the Annual Report before final printing;
- 8.2 That Council should direct the Accounting Officer to verify the non-financial performance information before publishing the Annual Report;

- 8.3 That Council should direct the Accounting Officer to ensure that there is consistency in the capturing of the names of Councillors in the Annual Report that the names are preceded by the "Cllr" abbreviation;
- 8.4 That Council should direct the Accounting Officer to ensure that the names of **MPAC**, Risk Management and Ethics Committees are included in the final Annual Report;
- 8.5 That Council should direct the Accounting Officer to verify the information regarding the attendance of meetings by Councillors and to ensure that a distinction is drawn between Absence Without Apology (**AWA**) and absence where Leave of Absence (**LoA**) has been granted;
- 8.6 The Council should direct the Accounting Officer to ensure that only photos that are relevant and appropriate for the various chapters in the Annual Report are used;
- 8.7 That Council should direct the Accounting Officer to ensure that an effective and efficient performance monitoring and evaluation mechanism / system is developed to focus on the performance of the Department of Infrastructure and Water Services;
- 8.8 That Council should direct the Accounting Officer to ensure that a draft Annual Report is submitted for approval by Council not later than December 31 each year; and,

8.9 That Council approve the 2017/2018 Annual Report without reservations.