

MPAC

Oversight Report

Khariiep District Municipality

2019/20





**Hon J. Moitse
Chairperson**

CHAIRPERSONS FOREWORD

'Hon Speaker, Executive Mayor, Hon Cllrs and Management ...

As We bow our Heads in Honor of all our fallen Brothers, Sisters, Colleagues Friends and Family who passed away due to the Pandemic, we Pray for protection and healing.

Hon Speaker we table this report to council as the last outstanding report this committee had to process since we were elected by council to lead the MPAC,

This report signifies the strides and continued endeavor of Council and Management in ensuring that Xhariep District Municipality becomes one of the Leading Municipality in the Province

Hon Speaker I am proudly tabling this Report to Council having taken note of the significant reduction in

Fruitless and Wasteful Expenditure reduced from: R341 809.00 to R188 793.00

Unauthorized Expenditure R6 175 909.00 to R455 404.00 for the year in question.

However, Hon Speaker, more stringent practices and systems needs to be put in place to reduce the **Irregular Expenditure** that the committee noted with concern the increase from **R2 466 957.00 to R4 381 556.00 for the period under review.**

The legislative Mandate of this Committee is to Improve Accountability, Transparency, Economical, Effective and Efficient use of Public resources in executing municipal powers and functions giving effect to improved and expanded delivery of services.

MPAC derives its Legislative Mandate from the Constitution of South Africa as envisaged in Circular 92 of the MFMA NO: 56 Of 2003.

In considering this Annual report for 2019/20 Financial Year. This Committee had to deal with: All components of the Report as in the previous Financial Year, The Institutional Arrangements and well as Financial Management as contemplated in Circular NO 32 of the MFMA

As much we considered Emphasis of Matters, Pre-determined Objectives, Material Losses, Expenditure Management, Financial Uncertainty of the District as well as prudent financial practices in line with Generally Accepted Financial Management Practices(GAFMP). The Committee used the 2018-2019 Annual Report as benchmark

Hon Speaker the Committee noted the going Concern of our liabilities that exceeds Our assets as flagged also by the Auditor General for the period in question.

This Oversight Report seeks to advice Council on prudent financial management practices and corrective steps to avoid re-occurrence of the same matters of concern.

As reported last year Hon Speaker, the vigorous and intensive processes of Review and Investigation undertaken by this Committee is beginning to yield the desired results as The committee noted with great appreciation the improvements in terms of Quality Assurance in respect of All Components of the Report.

Hon Speaker this improvement also includes corrective measures implemented by management in term of Recoverability as well as consequence Management as recommended by MPAC.

I can safely report to Council that the possibility of obtaining a Clean Audit is no longer an unachievable objective but a reality!

In Conclusion Hon Speaker, as we approach the end of our Term of Office, allow me to Officially Thank the Hon Members of the XDM MPAC for their services,

The Community Of Xhariep Appreciates your service.

We Wish You All Prosperity and brighter Future!

I Thank you !

Baie Dankie



Hon J.Moitse
MPAC

INTRODUCTION

1.1 Background

In Accordance with Our Establishment Notice as gazetted, Xhariep District Municipality was established on 06 December 2001 as a result of section 21 of the Local Government Demarcation Act (Act 27 of 1998) this report is thus prepared based on and in accordance with the legislative requirements.

The Report seeks to Review the ANNUAL REPORT as tabled before Council to with the Legislative Objective:

- **To Provide record of the activities of XDM**
- **To provide a report on Performance in Service delivery against the budget**
- **To Provide Information that supports the revenue & Expenditure decisions made**
- **To promote Accountability to the Xhariep Community on decisions made**

The MFMA considers Annual reports as the key Reporting Instrument for Xhariep District Municipality to report Performance against Targets and Budgets as outlined in their Strategic Plans.

Annual Reports are thus required to contain Information on service delivery and Outcomes in additions to the financial statements.

It is meant to be a backward-looking document that demonstrates How the Budget was implemented and the results of service delivery operations for the financial period under review.

When Considering Compliance the Committee took into account the **4 key components**:

- i) The Annual Performance report as required by Sect 46 of the MSA
- ii) Annual Financial Statements submitted to AG
- iii) The AG's Audit report on the Financial Statements in terms of Sect 126(3) of the MFMA
- iv) The AG's Audit report on Performance in terms of Sect 45(b) of the MSA

1.2 Purpose

To consider the Xhariep District Municipality's Oversight Report on the 2016/17 financial year Annual Report The Report outlines the findings of the Committee and remedial action on the Annual Report in terms of section 129 (1) of the Local Government :Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereafter referred to as the MFMA)

1.3 Regulatory Requirements

The Committee in Reviewing the Annual Report considered also the following Circulars

- MFMA CIRCULAR 11- Annual Reporting Guidelines : 14 Jan 2005
- MFMA CIRCULAR 18- New Accounting Standards – 23 June 2005
- MFMA CIRCULAR 28 – Budget Content & Format- 12 Dec 2005.

1.3.1 Section 121(1), of the MFMA stipulates the following:

Every Municipality must, for each financial year, prepare an Annual Report. The Council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129.

1.3.2 Section 121(2) of the MFMA states that the purpose of an annual report is:

- (a) To provide a record of the activities of the municipality during the financial year to which the report relates;
- (b) To provide a report on performance against the budget of the municipality for the financial year; and
- (c) To promote accountability to the local community for the decisions made throughout the year by the municipality.

1.3.3 Section 121(3) of the MFMA states that the annual report of a municipality must include:

- (a) The annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
- (b) The Auditor-General audit report in terms of section 126(3) on those financial statements;
- (c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- (d) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, Act 32 of 2000;
- (e) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
- (f) An assessment by the municipality's Accounting Officer of the municipality's

- performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;
- (g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
 - (h) Any explanations that may be necessary to clarify issues in connection with the financial statements;
 - (i) Any information as determined by the municipality;
 - (j) Any recommendations of the municipality's audit committee; and
 - (k) Any other information as may be prescribed.

1.3.4. In terms of section 127(5) of the MFMA, the Accounting Officer must immediately after the Annual Report is tabled, make public the annual report, invite the local Community to submit representations in connection with the annual report and submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

1.3.5. According to section 129(1) of the MFMA, the council must consider the Annual Report by no later than two months from the date on which the Annual Report was tabled, adopt an oversight report containing the Council's comments on the annual report which must include a statement whether-

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

1.4 Submission and Tabling of the Annual Report

The Annual Report of the Municipality for the 2016/17 financial year was tabled before the Council during its Inaugural meeting held after **2016 L.G Elections** in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 2003.

Council accordingly resolved the FF:

- (a) Council notes the Xhariep District Municipality 2016/2017 Annual Performance Report;
- (b) that the Office of the Speaker and the Municipal Manager be mandated to convene an Municipal Public Accounts Committee (MPAC) to review the report and prepare an Oversight Report thereon for approval of Council; and
- (c) that the 2016/2017 Annual Performance Report be submitted to both the offices of the MEC for Cooperative Governance, Traditional Affairs and Human Settlement, Provincial Treasury and the Auditor-General.

1.5 Appointment of the Oversight Committee

An oversight committee was established by Council resolution **1.1.1 of 11 June 2018**, in terms of section 33 and 79 of the Municipal Structures Act, 117 of 1998. Council nominated 3 non – executive councilors to serve on the Oversight Committee, Chief Internal Auditor (for **assistance and expert advice**), Auditor General of South Africa (AGSA) for **assistance and expert advice**), (South African Local Government Association) SALGA for **assistance and expert advice**).

The committee consists of the following members:

Initial and Surname	Designation	Position
Cllr J Moitse	Chairperson of the MPAC	Chairperson
Cllr IS Riddle	Councilor	Member
Cllr. ML Mogapi	Councilor	Member

2 THE APPROACH, OBSERVATION AND CONCLUSION OF THE OVERSIGHT COMMITTEE

2.1 The Approach

The approach followed by the Oversight Committee includes obtaining and inspecting the Annual Report of the Xhariep District Municipality for the 2019/20 financial year. The MFMA Circular 32 was used as a guiding tool or checklist to consider the Annual Report.

The issues raised by the Auditor-General South Africa (AGSA) were also thoroughly studied and the action plan to correct them.

- a) That Management should add footnotes indicating whether or not there was compliance
- b) That Management implement consequence Management for material transgressions to avoid further re-occurrence of the same none compliance

FINDINGS OF THE COMMITTEE

The Committee made the following findings on the **2019/20 Annual report**

Chapter 1

1.1 Mayors' foreword

The Committee found that;

- a) There is significant improvement in respect of this item and relevancy has been confirmed.
- b) The committee is satisfied that the recommendations have been implemented as recommended compared to 2018/2019 AR

1.1 Municipal Manager's foreword

The Committee Found That;

- a) There is Compliance on the report and the recommendations have been implemented accordingly
- b) Relevancy has been confirmed and the Committee is satisfied that the recommendations have been implemented as recommended compared to 2018/2019 AR

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

The Committee Found That:

- a) That the age group mentioned in the T.1.2.1 has been corrected as recommend
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review the 2018/2019 AR

Chapter 2

1.3 FINANCIAL OVERVIEW

The Committee Found That;

- a) During review of 2018/19 Management did not indicate in terms of the current status, to what extent are they implementing the Powers and Functions and whether or not Capital projects are being funded from Internal funding.
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 A

T. 1.5.1 Organizational development Performance

The Committee Found That;

- a) During the Review of 2018/2019 The report lack more information and recommended that :
 - a) The report should mention whether or not there was skills audit conducted.
 - b) The report should indicate if there is a moratorium in place on appointments
 - c) The report should indicate if there were trainings conducted.
1. Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 AR and that only critical posts are being filled .

1.5 STATUTORY ANNUAL REPORT PROCESS

The Committee Found That;

- a) During 2018/19 it was found that there were No explanatory notes, no indication that there was compliance with the dates as recorded,
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 AR
- c) That management should continue to instill a culture of meeting deadlines

T2.o.1 INTRODUCTION TO GOVERNANCE

The Committee Found That;

- a) During the Review of 2018/19 That there is improvement in a way that the report has been structured and recommended That the number of MayComm members should be reflected.
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 AR

Component A

POLITICAL AND ADMINISTRATIVE GOVERNANCE

Introduction to Political and Administrative Governance

The Committee Found That;

- a) Committee is satisfied that the there is compliance and that status remains the same as found during the review of the 2018/2019 AR

2.1 POLITICAL GOVERNANCE

Introduction to political Governance

The Committee Found That;

- a) During the 2018/19 review there was improvement made on the report, however, there was no mentioning of all Section 80 and 79 Committees
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 AR
- c) The Names of MPAC members still not included in the Report

T2.1.1Political Structure

The Committee Found That;

- a) During the 2018/19 review That the recommendations were not fully implemented and it was recommended That there should be pictures of the Political leadership attached.
- b) Committee is noted with concern that the recommendations have not been implemented as recommended during the review of the 2018/2019 AR

COUNCILLORS

The Committee Found That;

- a) During the 2018/2019 review That there was improvement on the report and recommended That names of all Councilors serving on the sec 79 Committees should be mentioned on the report
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 AR

2.2 ADMINISTRATIVE GOVERNANCE

Top Administrative structure

The Committee Found That;

- a) During the review of 2018/19 the Committee noted that the structure and the names of the Administrative leadership, was incomplete and recommended That Pictures of All Senior Management be included
- b) Committee noted with concern that the recommendations have been implemented partially as recommended during the review of the 2018/2019 AR
- c) The Pictures are still not included.

District Intergovernmental Structures

The Committee Found That;

- a) During the review of 2018/2019 The Committee could not establish whether the Forums are functional or not and recommended that there should be a schedule of meetings and Attendance registers submitted to the Committee to evaluate the functionality of Forums
- b) Committee is satisfied that the recommendations have been Not been implemented as recommended during the review of the 2018/2019 AR
- c) The Political IGR is not meeting as required except for PCF meetings
- d) The Technical Support Committee does meet but not all Local Managers attends the meetings

2.3 PUBLIC MEETINGS

Communication, Participation and Forums

The Committee Found That;

- a) During the 2018/19 review The Committee could not establish whether the Communications unit or Communication Forums are functional and recommended That Communication structure and quarterly newsletters should be submitted to the Committee as proof
- b) Committee is satisfied that the recommendations have Not been implemented as recommended during the review of the 2018/2019 AR

Public Meetings

The Committee Found That;

- a) During the Review of 2018/2019 that the XDM only holds Public meetings when it comes to IDP and Budget and Recommended That Management should involve Local Councilors when conducting Public meetings, so that Councilors can provide support.
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 AR
- c) The Office of the Executive Mayor actively engage the respective Communities in consultation with Ward Cllrs
- d) Dates of scheduled Public meetings have been submitted

T2.4.3.1 Comment on the effectiveness of the Public meetings held

The Committee Found That;

- a) During the review of 2018/19 The Committee could not establish whether there is a contingency plan in place in an event that there is labor unrests
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 AR
- c) That Management is of the view that the Public engagement sessions are inclusive and thus minimizes the risk for unrests
- d) That the risk is minimal due to the fact that the district doesn't have direct constituencies

Chapter 3

2.5 IDP PARTICIPATION AND ALIGNMENT

The Committee Found That;

- a) During the review of 2018/19 The Committee could not establish if there was implementation as provided for in the template and recommended That the template should provide how is IDP aligned to the Provincial KPI's
- b) That Management must indicate the actual implementation of the IDP, Success stories.
- c) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 AR
- d) With exception that evidence was submitted to confirm that the 4 quarterly aligned reports submitted within the stipulated timeframes

2.6 RISK MANAGEMENT

Risk Management

The committee Found That;

- a) During the 2018/19 review , The Committee could not establish whether the Risk Committee is functional and how does its recommendations assist the overall risk assessment of the Municipality and Recommended that The Committee should be provided with schedule of Meetings as well as a structured risk assessment Plan
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 AR
- c) The early warning internal systems need to be utilized more effectively.

2.7 ANTI CORRUPTION AND FRAUD

Fraud and Anti- Corruption strategy

The Committee Found That;

- a) During the 2018/19 review, The Committee found that the information provided was incorrect and the Committee further enquired more information on the role of Internal Auditor in preventing of fraud and corruption.
- b) The Committee found out that there were no Fraud and Corruption activities reported/ recorded by the Office of Internal Audit for the period in question.

- c) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 AR
- d) Noted the steps taken by management to reduce the risk by having held an anti-Corruption awareness campaign on the 12 Nov 2019.

2.8 SUPPLY CHAIN MANAGEMENT.

Overview of Supply Chain Management

The Committee Found That;

- a) During the 2018/19 review The Committee could not establish if there was compliance with SCM Processes and that the report did not indicate if there was increase or decrease on the Irregular expenditure and recommended:
 - b) That the report should indicate cases of Consequence management incidents
And That there should be an indication of reduction or increase of UIF reports
- 1) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019

And that Fruitless and Wasteful Expenditure reduced from: R341 809.00 to R188 793.00

Unauthorized Expenditure R6 175 909.00 to R455 404.00 for the year in question.

Irregular Expenditure that the committee noted with concern the increased from **R2 466 957.00 to R4 381 556.00 for the period under review.**

2.10 WEBSITE

The committee Found That;

- 2) During the 2018/19 review The Committee established that the report did not contain the recommendations made by the Committee in the previous report. The Committee established that the website is not functional as the template reflects that some of the documents were not uploaded
- 3) Committee is satisfied that the recommendations have Partially been implemented as recommended during the review of the 2018/2019
- 4) That the only solution to this problem is for XDM to use its own domain with full administrator rights to manage its website internally.

COMPONENT A:

BASIC SERVICES

The committee Found That;

- 1) During the 2018/19 review The Committee found that the services offered by the Environmental health were stipulated as recommended.
- 2) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019

3.11 LOCAL ECONOMIC DEVELOPMENT

Introduction to Economic Development

The Committee Found That;

- a) During the 2018/19 Review, The Committee established that there were clear no listing of no projects facilitated by the District mentioned in the report.
- b) The report did not clearly specify what the role of LED is and the legislative requirements
- c) The report further did not reflect what economic activities are there to boosts the economic growth within the Municipal area.
- d) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019 except for the establishment of District Business Chamber

T3.11.5 Jobs Created

The Committee Found That;

- a) During the review of 2018/19 That the report did not reflect which target groups were appointed and the expenditure allocated per category.
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019
- c) Except for the inclusion of the demographics, Gender and area of origin

T3.11.6 Job creation through EPWP

Findings of Committee:

- a) As recorded under T3.11.5 (Jobs Created)

3.64 HEALTH INSPECTIONS; FOOD AND ABATTOIR LICENCING AND INSPECTIONS

The Committee Found That;

- i) During the 2018/19 Review Committee found that the report does not provide adequate information with regards to activities conducted or number of notices issued and Recommended That there should be a number of COA reflected
 - ii) As well as the number of health inspections conducted during the period under review
- 2) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019

3.67 DISASTER MANAGEMENT

The Committee Found That;

- a) During the 2018/19 Review, the Committee Noted that the Unit had a budget set aside for disaster relief management but the report didn't indicate how budget was used. And Recommended The unit should indicate how the budget spent or what assistance was provided to the affected families if they were assisted.
- b) Committee is satisfied that the recommendations have Not been implemented as recommended during the review of the 2018/2019
- c) Except for the explanatory notes provided in the report.

T3.69.4 Employees: The Executive and Council

The Committee Found That;

- a) During the 2018/19 review of the Committee noted that the information been provided on the template only as required. Further clarity was needed and it was recommended That there should be footer notes provided in the report.
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019

T3.69.5 Financial Performance 2018-2019 The Executive and Council

The Committee Found That;

- a) During the 2018/19 review the Committee noted that the information has been provided on the template only as required. Further clarity was needed on the information provided.
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019

T3.70.4 Employees: Financial Services

The Committee Found That;

- 1) During the 2018/19 review the Committee noted that notes were not provided to explain the table as submitted and that Cllrs are struggling to interpret.
- 2) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019

3.71 Human resources services

Introduction to Human Resource Services

The Committee Found That;

- 1) During the 2018/19 review The committee noted that the principle of no work no pay that was applied but no adequate information was provided, the Committee Recommended that the report should indicate such cases where the no work no pay rule was applied.
- 2) Committee is satisfied that the recommendations have been implemented Partially as recommended during the review of the 2018/2019
- 3) No cases reported during the period under review

T3.71.4 Employees: Human Resources services

The Committee Found That:

- 1) During the 2018/19 review, The Committee noted that the information provided on the template was not adequate.
- 2) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019

3.72 INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

The Committee Found That;

- 1) During the review, The Committee noted that the report lacks more information and was contradicting
- 2) Reference was made to point 70 the functionality of the website were it was noted that “Communications unit has taken upon to itself the initiative to collect all the information” on T2.10.1.1
- 3) It was recommended That there be proper alignment of Communications unit, IT unit and other departments.
- 4) Committee is satisfied that the recommendations have been implemented Partially as recommended during the review of the 2018/2019**
- 5) Takes note of the infrastructural challenges raised by the department and recommends that Management make budgetary provisions to minimize the risk of a total IT Black out.**

T3.72.4 Employees: ICT Services

The Committee Found That;

- a) During the 2018/19 review The table lacked more information
- b) Committee is satisfied that the recommendations have been implemented as recommended during the review of the 2018/2019

COMPONENT K : ORGANISATIONAL PERFORMANCE SCORE CARD

- c) The Committee took note of the Organizational performance score card and recommends that individual Performance of Senior Managers be conducted to establish compliance with departmental KPA's

- d) Committee is satisfied that the recommendations have been implemented Partially as recommended during the review of the 2018/2019

SECTION 32 INVESTIGATION:

All UIF to be investigated by MPAC in terms of section 32 of the MFMA

3 RECOMMENDATIONS

The committee recommends the following:

- Pursuant to section 129 (1) of the Municipal Finance Management Act and applicable legislation
- The Municipal Public Account Committee recommends That Council Approve OVERSIGHT REPORT for the **Period 2019/20 financial Year** as tabled.

Chairperson of the MPAC

Date Signed



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Hon J Moitse

CONCURRING:

- 1. Hon S. RIDDLE

- 2. Hon M. MOGAPI

***Acknowledgements:**

The MPAC Team would like to thank and acknowledge the following Departments for their contributions.

- 1. Office of the Executive Mayor**
- 2. Office of the Speaker**
- 3. Municipal Manager**
- 4. Office of Auditor General**
- 5. SALGA FS**
- 6. Audit Manager : XDM**
- 7. XDM Directors**
- 8. XDM Managers**
- 9. XDM staff**
- 10. MPAC Secretariat**