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Molemole Municipality

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www.molemole.gov.za

ALL CORRESPONDENCE TO BE ADDRESSED TO THE MUNICIPAL MANAGER

Enquiries: Morokolo MJ

Reference: 9/1/1

Date : 08 April 2015

Public Notice.

Section 129 (1) of Municipal Finance Management Act (MFMA) states that the Council of a Municipality must consider the Annual Report of the municipality and of any municipal entity under the municipality sole or shared control, and by no later than two months from the date on which the Annual Report was tabled in the Council in terms of Section 27 of MFMA, adopt an Oversight Report containing the councils comments on 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 or
- (c) Has referred the annual report back for revision of those components that can be revised.

Section 21 (A) of the Municipal Systems Act states that the Accounting Officer must make public Oversight Report referred to in section 129 (1) of MFMA within seven days of its adoption.

Council has in its sitting on the 31st March 2015 adopted the Annual Report together with the Oversight Report. The Oversight Report can be viewed from the Municipal website @ www.molemole.gov.za or alternatively from the Municipal offices in both Mogwadi and Morebeng Townships.

Kind regards

A handwritten signature in black ink, appearing to read 'N.I. Makhura', is written over a horizontal line.

N.I. Makhura
Municipal Manager

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Mission: To provide essential and sustainable services in an efficient and effective manner



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Enquiries: CHUENE K.L

Reference: 2/10/2

OVERSIGHT REPORT 2013-14

The adoption of an Oversight Report by the municipal council should be viewed as a compulsory task in terms of Section 129(1) of the Municipal Finance Management Act (MFMA) No.56 of 2003 in exercising financial management over the respective municipality.

The introduction of the Municipal Public Accounts Committee (MPAC) to Molemole Local Municipality has created an expectation of a transparent and accountable local government institution which will aspire to a sound financial management practice which will ultimately result in world class service delivery.

MPAC is now in position to table to Council the Oversight Report on the 2013-2014 Annual Report of Molemole Local Municipality. Credit should go to members of MPAC, officials from CoGHSTA, Audit Committee, and Internal Audit who have contributed in ensuring that the oversight is credible.

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2. Overview
3. Processes followed by Council
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5. Recommendations

1. Committee Members

- 1.1. Cllr Lehong M.D - Chairperson
- 1.2. Cllr Masekela M – Member
- 1.3. Cllr Makgoka M - Member
- 1.4. Cllr Duba M – Member
- 1.5. Cllr Maila M - Member
- 1.6. **Cllr Senoamadi S – Member (not attending committee meetings)**
- 1.7. **Cllr Matjee C – Member (not attending committee meetings)**

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2. Overview

Each municipality is required to prepare an Annual Report in terms of Section 121 of the MFMA, Circular No. 63 issued by the National Treasury provides guidance on the structure of the Annual Report to ensure consistency by all municipalities in preparing their Annual Reports.

The purpose of Annual Report is:-

- i. To provide a record of the activities of the municipality or municipal entity during the financial year which the report relates to;
- ii. To provide a report on performance against the budget of the municipality or municipal entity for that financial year;
- iii. To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

An Annual Report should include the following major elements:

- i. Annual performance report, comparing the year's performance with the performance objectives established in the IDP, Budget and SDBIP's.
- ii. Annual Financial Statements submitted to the Auditor General.
- iii. The Auditor General's audit report in terms of section 126(3) on those financial statements.
- iv. Other disclosures as required by the MFMA in Section 121, 124, 125 (e.g. Councillors and Top Management compensation, grants, bank accounts, investments information etc.)

The 2013-14 Annual Report was tabled in Council on the 29th January 2015 in terms of section 127(2) of the MFMA no.56 of 2003. In terms of Section 129(1) the Council is required to consider the Annual Report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an Oversight Report containing 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, or

(c) has referred the Annual Report back for revision of those components that can be revised.

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3. PROCESSES FOLLOWED BY COUNCIL

Council appointed the Municipal public Accounts Committee during 2011 and the primary functions of this committee is that of oversight.

The committee adopted Circular 63 of the National Treasury as the guiding document for the oversight process as well as the relevant legislation, i.e. MFMA. The following documents relevant to the committees' responsibilities were given to each committee member:

- i. National Treasury Circular 63 – The Annual Report.
- ii. The Annual Report including the report of the Auditor General.

All MPAC members were given sufficient time to review and discuss the Annual Report. The committee also solicited inputs and comments on the Annual Report from the following:

- i. Audit Committee Chairperson and Internal Auditor Unit to present their perspective on the Annual Report.
- ii. Public comments were invited, but none were received.

4. SUMMARY OF SUBMISSIONS RECEIVED FROM THE COMMUNITY AND OTHERS

The following table reflects the key written representatives received from the respective bodies/individuals relating to the contents of the Annual Report

Representation submitted by:	Key issues raised	Determination by Oversight Committee
Individual Councillors	None	
Private Individuals	None	
Civic organisations	None	
Public, communities and other stakeholders	•	Public Participation were held on the 12 & 13 March 2015 in Molemole East (Motswapo Pre School) and Molemole West (Brussels Pre School) respectively.

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5. SUMMARY OF RESERVATIONS EXPRESSED AND CORRECTIVE ACTIONS REQUIRED

Reservations expressed by the MPAC	Actions Required	Due Date	Responsible Department
<u>Audit General's Report</u>			
<p>(a) <u>Irregular Expenditure</u> - the municipality made payments in contravention of the supply chain management requirements to the amount of R47 694 900 that were not included in irregular expenditure, resulting in irregular expenditure being understated.</p>	<ul style="list-style-type: none"> • That the municipality should maintain the irregular expenditure register. • That relevant processes and procedures are followed in procurement. 	Ongoing process	MM and CFO
<p>(b) <u>Irregular Expenditure</u> - The Auditor General was not able to determine the full extent of the misstatement of irregular expenditure stated at R3 645 406 (2013: R3645 406) in note 41 to the financial statements as it was impracticable to do so.</p>	<ul style="list-style-type: none"> • That the municipality should ensure that misstatements figures are corrected as the Auditor General was not able to determine the full extent of the misstatement. 	Ongoing process	MM and CFO

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<p>(c) <u>Fruitless and wasteful expenditure</u> – The municipality did not include particulars of fruitless and wasteful expenditure in the notes to the financial statements. The Municipality made payments in vain to the amount of R2 394 574 which could have been avoided that were not included in fruitless and wasteful expenditure disclosure, resulting in fruitless and wasteful expenditure being understated.</p>	<ul style="list-style-type: none"> • That the municipality should maintain the fruitless and wasteful expenditure register. • That the municipality should ensure that misstatements figures are correct as the Auditor General was not able to determine the full extent of the misstatement R186 140 (2013: R186 140) 	Ongoing process	MM and CFO
<p>(d) <u>Budget information and cash flow statement</u> The municipality failed to comply with the SA Standard of GRAP24 a GRAP2 on Presentation of budget information in the financial statements and Cash flow statements.</p>	The municipality should ensure that required presentation of budget information in the financial statements and Cash flow statements are prepared or presented as per the required GRAPs.	Ongoing process	MM and CFO



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<ul style="list-style-type: none"> • Procurement and Contract Management – • Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and in contravention of SCM regulation 16(b) and 17(b). • Goods and services of the transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). • Invitations for competitive bidding were not always advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2). • Bids were not always evaluated by bid evaluation committees which were composed of at least one SCM practitioner of the Municipality as required by SCM regulation 28(2). • Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2). • Contracts were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act No .5 Of 2000) (PPPFA) and its regulations. • Construction contracts were awarded to contractors that did not qualify for the contract, in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25 (7A). • Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation 18. • Contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43. • Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). 	<ul style="list-style-type: none"> • The municipality should engage Treasury on screening of directors/principal shareholders before the bids could be awarded. • That SCM regulations should be followed when awarding contracts. • That bids committee should always be well constituted. • That declaration forms by service providers should be filled and checked. • That the municipality should ensure that tax clearance are valid. 	<p>Ongoing process/or when bids are being evaluated</p>	<p>CFO</p>
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6. GENERAL FINDINGS - 2013-14 Annual Report

- i. ***That the Presentation of budget information in the financial statements and Cash flow statements were not presented in accordance with SA Standard of GRAP 24 and GRAP2 respectively.***
- ii. Annual Report format, was not compiled in terms of National Treasury (Circular No. 63) which was adopted by the council, hence the information is not up to standard and it is scattered all over in the document.
- iii. Mayor's foreword – a lot of information as required by Circular No. 63 was not provided.
- iv. Municipal Manager's foreword – again information as required by Circular No. 63 was not provided.
- v. Information relating to issues raised by the Auditor General during the previous financial year and also remedial actions taken to address the issues raised and preventative measures were not included.
- vi. Compilation of a complete list of all Councillors, the name of parties they belong to and the wards which they represent, and number of council meetings attended by each councillor was not provided.
- vii. Ward reporting was not complete and ward information was not included in the annual report.
- viii. Report and all information of the Audit Committee are not included, only resolutions are in the report.
- ix. Information on service delivery connection backlogs at schools and clinics, services delivery backlogs experienced by the community where another spheres of government are responsible for provision of services was not provided in the report.
- x. Declarations of Loans and Grants made by the municipality, declaration of the returns not made in due under MFMA, Section 71 Report is not in the report.
- xi. National and Provincial Outcome for Local Government should be explained.
- xii. Figures on page 25 of the report are not corresponding to the ones on pages 52 and 53.

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7. CONCLUSION

Having considered the 2013-14 Annual Report of Molemole Local Municipality as tabled on the 29th January 2015, Council should adopt the Oversight Report in terms of Section 129 of the Municipal Finance Management Act (MFMA).

The Committee experienced a lot of challenges, especially on the coordination of the MPAC Activities as some events were not properly coordinated due to staff challenges.

The Committee concluded that the Public Hearing would be held during the Month of April as the Questions were submitted late to management. (Attached please find a copy of Questions).

8. RECOMMENDATIONS

The committee recommended as follows:-

- i. That the action plan to deal with the responses of the Auditor General should be submitted to Municipal Public Accounts Committee (MPAC) and it should be monitored on a monthly basis.
- ii. That the Accounting Officer must put in place processes which will allow for the verification of all information that is submitted to the Mayor, EXCO, Portfolio Committees and Auditor General's Office, Audit Committee and Municipal Public Accounts Committee (MPAC), respectively.
- iii. That quarterly reports on the spending of grants should be submitted to Municipal Public Accounts Committee (MPAC) on quarterly basis.
- iv. That all Section 29s and Section 32s Reports should be submitted to Municipal Public Accounts Committee on monthly basis and should also be reported to Council to ensure that necessary steps are taken in time.
- v. Municipality should develop a plan to ensure that Section 32s are minimized or eliminated.
- vi. That the municipality should put systems and accurate internal controls to combat abuse of SCM Processes.
- vii. The municipality should set clear, specific, measurable, time bound and well defined targets to measure the performance and achievements of the municipal objectives (SDBIPs should be aligned to IDP).
- viii. That the municipality should ensure that presentation of the Financial Statements and other finance components are prepared and presented according to the SA Standards GRAPs.

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- ix. That the municipality should maintain and monitor an Accurate Assets Register.
- x. The Municipality should create a conducive environment to allow the Standing Committees of Council to exercise oversight role, i.e. Audit Committee, MPAC, Ethics, Rules and Integrity Committee.
- xi. That the Municipal Public Accounts Committee should be resourced accordingly, i.e. Finance and Personnel.
- xii. That the Council should remove those two councillors who never attended the committee meetings.
- xiii. **That Council having fully considered the 2013/14 Annual Report of the Municipality and representations thereon adopt the Oversight Report and approve the Annual Report in terms of Section 129 of the Municipal Finance Management Act (MFMA), No 56 of 2003.**

Chucne RL
CLLR M.D LEHONG
MPAC: CHAIRPERSON

31/03/2015
DATE

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Enquiries: MPHASHA

Reference:03/03/1/5

COUNCIL RESOLUTION EXTRACT

OC31/03/15 2013-2014 ANNUAL REPORT..

6.10 /31/013/2015. The Council resolved that

6.10.1The 2013-2014 Annual Report is approved.

Moabelo M.L.
.....

CLLR. MOABELO ML
SPEAKER

07/04/2015
.....

DATE.

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