

**OVERSIGHT REPORT**



**ALFRED NZO**  
DISTRICT MUNICIPALITY

**OVERSIGHT REPORT ON THE ANNUAL PERFORMANCE REPORT FOR THE  
FINANCIAL YEAR ENDING 30 JUNE 2012**

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## **1. BACKGROUND**

### **1.1. Annual Report**

The 2011/2012 Annual Report of the Alfred Nzo District Municipality (ANDM) and the Annual Report of the Municipal Entity, Alfred Nzo Development Agency (ANDA) were tabled to Council on 31 January 2013. Annual Reports provide the Alfred Nzo District Municipality with the opportunity to report on the performance of the District Municipality and its entity.

The 2011/2012 Annual Report was prepared in terms of the provisions of the Municipal Finance Management Act, No. 56 of 2003. The Act aims to modernize budget and financial management while simultaneously promoting transparency and accountability. It gives further impetus to Annual Reporting (more stringent than MSA requirements) in terms of which municipalities are required to report against commitments in the IDP, business plans and other supporting planning documents.

As stated earlier, the 2011/2012 Annual Report was tabled to Council on 31 January 2013. In terms of Section 127 (2) of the MFMA, the Executive Mayor must submit the Annual Report within seven (7) months after the end of the financial year, which means that the report should be submitted by the end of January 2013.

In terms of Section 129 of the MFMA the Municipal Council is required to engage with, and finalise the annual report within two (2) months after the end of the financial year, which is before 31 March 2013.

The 2011/2012 Annual Report was submitted to Council in time, January 2013 owing to timeous finalization of the Consolidated Annual Financial Statements' Audit opinions.

## **2. THE PURPOSE OF OVERSIGHT REPORT**

It is imperative to have some understanding of the accountability framework for municipalities in order to correctly understand the role of the Oversight Report as distinct from the Annual Report and any other reports required from the municipality. It further important note that the oversight function of Council over the executive and administration is not an event but a process that unfolds throughout the course of the year. Effective oversight on administration would result to better performance of the municipality. Oversight occurs at various levels in the municipality as confirmed in the table below:

**Accountability Framework for Local Government**

	<b>Responsible for</b>	<b>Oversight over</b>	<b>Accountable to</b>
Council	Approving policies, IDP and budget	Executive Mayor and Members of Mayoral Committee	Community
Executive Mayor	Policy, budgets, service delivery outcomes and Management of/oversight over Municipal Manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation of policies and SDBIP	The Administration	Executive Mayor
CFO and Senior Managers	Outputs and implementation of SDBIP	Financial Management and Operational Functions	Municipal Manager

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual report of its municipality and to adopt an "oversight report" containing the council's comments on the annual report.

The Oversight Report follows consideration and consultation processes by the Municipal Public Accounts Committee (MPAC) on the Annual Report and is considered to be a report of the Municipal Council to the community. It closes the level of success or otherwise, obtained the integrated development plan (IDP) of the municipality and meeting the priority needs and stated desires of the community as contained in the IDP.

### **3. THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

#### **3.1. Composition of the Committee**

The National Treasury: MFMA Circular (National Treasury issued Circular No.32 of 15 March 2006) expresses appreciation of the difficulties that could be experienced in trying to discuss the Annual

Report within full council meetings. It thus recommends that the Council considers the constitution of an Oversight Committee (Municipal Public Accounts Committee) as provided for in terms of Section 129(4), to discuss the Annual Report leading to the adoption of the Oversight Report.

The Council of Alfred Nzo District Municipality established the Municipal Public Accounts Committee (MPAC) by resolution to consider and evaluate the content of the quarterly and annual reports and advise the council for adoption.

Council recognizes that it has the responsibility to oversee the performance of the municipality as well as that of its entity, Alfred Nzo Development Agency as contained in the Constitution, Municipal Finance Management Act (MFMA) and Municipal Systems Act. These legislation prescripts recognize that council has a critical role to play to ensure better performance by municipal departments and its entity. There is now a linkage between the strategic goals, set by council through the integrated development plan (IDP), which are translated into the budget, and the delivery of those goals, which is reported in the annual report.

The Council meeting of the 7<sup>th</sup> July 2011 established the MPAC as a mechanism to enable all councillors and the public to fully digest and discuss the annual report contents.

With reference to National Treasury: MFMA Circular No. 32 of 15 March 2006, the role of the MPAC is to analyse and review quarterly and annual reports in detail and recommend to Council on whether to adopt or reject the quarterly or annual report.

Key to this role is ensuring that the executive and administrative leadership are held accountable for performance.

The MPAC is made up of eight non-executive councillors as indicated in the table below:

<b>Name of Committee Member</b>	<b>Designation / Representing</b>
A. Ngconjana	Councillor (Chairperson)
J.Z. Munyu	Councillor (Deputy Chairperson)
S. K. Mnkwa	Councillor
E.N. Cengimbo	Councillor
N. Mpompoza-Ruleni	Councillor
M.M. Mpepanduku	Councillor
N. Voyi	Councillor
A. Mbizafa	Councillor

The MFMA assumes a separation between councillors serving on the executive (i.e. mayoral committee) and non-executive councillors.

This separation is vital to ensure that council maintains oversight for the performance of specific responsibilities and delegated powers to the Executive Mayor or executive mayoral committee.

#### **4. CIRCULATION OF THE ANNUAL REPORT AND OVERSIGHT REPORT PROCESS**

Legislation prescribes that once the annual report is tabled before the council by the Executive Mayor. Then, the council effectively has two months in which to consider the report, invite public submissions and to finalize its oversight report.

It must be noted that the annual report was tabled in the council meeting held on the 31 January 2013, and the oversight function has to be concluded within prescribed timeframes.

An advert was placed in the Fever News, a local circulating newspaper on 08 February 2013 to advertise the availability of the annual report for public comments/objections within 21 days. The Annual Report was circulated by making copies available at the Ground Floor, Alfred Nzo Municipal Offices, Erf 1400 Ntsizwa Street, Mount Ayliff and additional copies were placed in local municipal buildings of Umzimvubu, Matiatiele, Ntabankulu and Mbizana, and Disaster Satellite Centres so that they could be easily accessible to the public.

At the closing date for public comments or objections on 14 March 2013, no representations were received.

In following the oversight process, the MPAC received the annual reports of both the district municipality as well as that of the entity, ANDA. The report of the district municipality and its entity was read in the Ordinary Council meeting of the 31<sup>st</sup> January 2013 and thereafter the council referred the report to the Municipal Public Accounts Committee by resolution to consider and evaluate the content of the report

The first step for the committee was to embark on scrutinizing the annual reports for both the district municipality and ANDA, an entity.

The committee agreed to the approach and looked at four key issues i.e. (1) annual reports, (2) Auditor-General's Report, (3) Management Responses and (4) Action Plan for addressing queries raised by Auditor-General's Report and (5) formulation of clear recommendations to Council for adopting the annual reports.

For public comments, the district municipality issued a public notice as indicated in item 4 above and no public presentations/comments and/or objections were received in this regard, only verbal submissions captured during the consultation process, which was conducted through project visit outreach by the committee.

Upon the review and analysis of the reports, the committee looked at the available inputs and further considered the submissions made by communities during the project visit programme.

Furthermore, the committee did request for additional information and comments on the annual report from the administration with particular reference to areas of concern raised by Auditor-General in the financial year under consideration.

## **5. SUMMARY OF COMMENTS RECEIVED FROM THE COMMUNITY DURING PROJECT VISIT BY MPAC**

The Municipal Public Accounts Committee received a list of completed projects which were implemented during the financial year under review. The committee drew up an itinerary to visit projects. The programme started on the 11<sup>th</sup>- 15<sup>th</sup> March 2013. The following comments were received from the community and other stakeholders (See attached attendance register as **Annexure C**):

- 5.1. Mfundisweni Skills Development and Resource Centre is a viable centre for various skills development and empowerment of communities in the region. The centre needs some renovations. All assets meant for the centre from O.R. Tambo Ntinga Development Agency were never transferred and delays are attributed to the slow TFC process. The staff personnel is being seriously affected by the TFC delays and the ANDM continues to pay monthly salaries for the staff of the centre although their contracts have been reported lapsed in June 2012.
- 5.2. On sanitation Projects in Mbizana; Ward 12 community expressed appreciation and confirmed that 923 VIP toilet structures were completed. At ward 18, the community confirmed that the ANDM has constructed 943 toilet structures and that only 141 toilets structures incomplete due to delays on deliver of material for final touch ups. The glaring problem raised was the issue of hand-wash material which was never provided by the contractor.

In response, the contractor, Phahlane Construction indicated that the matter is being attended by the ANDM as a client and the supplier of the approved VIP structures, which were approved with these items and later the supplier wanted to sell them as separate items from the entire structure.

- 5.3. With regard to water projects at Umzimvubu Local Municipality, the committee visited the water schemes of Ntibane & Manqilweni and Ngqumane villages. Community members confirmed that the schemes are up and running. The committee witnessed by visiting reservoirs and opened up water from standpipe taps.
- 5.4. At Matatiele LM, the committee visited Mvenyane Water Scheme. In a meeting with communities. It was reported that the scheme was implemented with three contactors. The communities of Mdeni and Tlola villages never receive water due to the fact that water reservoirs are unable to be filled. These communities appealed to the ANDM to rehabilitate their old schemes by fixing broken pipes for interim and backup measure.
- 5.5. With regard to Sewer Projects of Maluti-Ramohlakoana and Cederville in Matatiele, the community of Maluti confirmed that the project and ponds are complete and that only one Pump Station is under construction. The community requested that the project should be operated in phases to avoid vandalism and eminent illegal connection. The area of Maluti should be connected to the main pipe leading to the ponds once the construct of the pump station is complete. The second and last phase should be Ramohlakoana village which is at tender stage.
- 5.6. In Cederville, the community confirmed with gratitude that the project is complete and appreciated it by saying that ever since it has started operating, there are no more honey-suckers operating in town. The issue of 125 sites which were subdivided after the construction of the project was complete were raised. The ANDM responded the matter is being attended to and the 125 households will be connected as matter of urgency.



## 6. SUMMARY OF COMMENTS ON THE ANNUAL REPORT BY MPAC

In the event that there were no written comments or objections by public, all captured inputs presented by the members of community during consultation process on the annual report were considered. The consulted communities and/or beneficiaries of completed projects were confirming the accuracy of the reported performance achievement. The committee then acted upon given information and also reflected on the responses provided by the management on issues that were raised by the Auditor-General in the audit report. The committee further looked at the financial statements for both Alfred Nzo District Municipality and its entity. The committee was at dismay not to get clear information on the allocation of funds by the mother municipality to the entity and performance information in this regard.

The responses provided by the management when responding to the queries raised by the Auditor-General in the audit report were satisfactory.

With regard to the operation of the entity, it was clear that the entity had for quite some time operated aloof from its mother. The other contributing factor was the prolonged process to appoint the Board Members for the entity by the district municipality. That alone makes it crystal clear that the Alfred Nzo Development Agency was operating under abnormal situation and the projects administered by the entity were naturally affected and thus its strategic goals and operational planning were not realised.

Below is a summary of findings and comments made by members of the MPAC:

- 6.1. The responses from the management team were satisfactory from both the district municipality and the entity, ANDA.
- 6.2. Furthermore, the committee unanimously accepted the endeavours made by the management to address the queries raised by the Auditor-General's report on the performance report (see the attached Management Action Plan as **Annexure A**),
- 6.3. The committee applauded and acknowledged an improvement made on the work done by the entity, Alfred Nzo Development Agency for receiving an unqualified opinion from the Auditor-General's report,

- 6.4. The committee put more emphasis and further requested the district municipality to improve its working relations with its entity and local municipalities (particularly with municipalities receiving clean audits) in order to build a winning team towards an improved and efficient service delivery,
- 6.5. The Alfred Nzo District Municipality does not have its own-driven LED projects although the LED is a national key performance area that a municipality is expected to report upon its performance. It is therefore recommended that the LED department should imitate and implement its own projects.
- 6.6. The committee felt that responses provided by management that were documented in the management action plan were adequate. However, the focus of the committee was not to look at responses provided by management only, but also get an outlined action plans intended to implement as a corrective measure, so that such findings do not repeat. In this instance, the committee agreed to use the additional information contained in the management response. Nonetheless, monitoring of the implementation of management action plans as outlined in the annual report is the responsibility of the executive and structures such as the Audit Committee and Board of ANDA. This is critical in the municipality's endeavours of improving the type of audit reports received during the next financial year of the report under consideration or to follow.
- 6.7. The ANDM should fast-track and resolve the matter of staff for Mfundisweni Development Centre with immediate effect in order to avoid audit query on salaries paid to the personnel with lapsed contracts. The immediate solution is to absorb the staff of the centre under the payroll of ANDA and the board of ANDA should present an action plan to Council for proper management of the centre.
- 6.8. The ANDM should prioritize the matter of TFC and strive to complete process of asset transfer in order to have a realistic asset register.
- 6.9. The committee further agreed that the Audit Committee should be strengthened and be consistent in performing its assigned task. And it must continuously interact with the MPAC in order to signal early warnings of any possible risks identified that may lead to receipt of adverse audit opinion by the district municipality.

## **6. FINDINGS OF THE MPAC**

- 6.1 The annual reports serve to reflect on the actual performance of both the municipality and its entity in rendering services to the communities. They also show how funds were spent so that the issues of irregular and financial misconduct can be addressed and corrected.
- 6.2. Despite the concerns and administrative challenges of ANDA the committee was satisfied by the response from the CEO that the matter of vacancies in the entity has been addressed.
- 6.3. Despite queries raised by the Auditor-General and areas of concern lifted by the committee on the annual report, there is a remarkable, measurable good work done in the financial year under review in terms of progress, growth and services. There is management team in place, particularly in the ANDM;
- 6.4. The ANDM has performed remarkable in terms of MIG expenditure and it has been declared the best performing municipality in the province.
- 6.5. The municipality has observed great improvement with regard to Blue Drop and Green Drop compliance status, where it has achieved position 4 in the provincial ratings.

## **6. RESOLUTIONS AND STATEMENT**

It is **RECOMMENDED:**

1. That the Council having fully considered the 2011/2012 Annual Report of the district municipality and comments thereon, adopts the 2011/2012 Oversight Report in terms of Section 129 (1) of the Local Government: Municipal Finance Management Act, No. 56 of 2003, and
2. That the Council approves the 2011/2012 Annual Report in terms of Section 129 (1)(a) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 without reservations.
3. That the Oversight Report of the ANDM be made public in terms of Section 129 (3) of the Local Government: Municipal Finance Management Act, No 56 Of 2003.

4. That the Oversight Report and Annual Report 2011/2012 of ANDM be submitted to the Provincial Legislature in terms of Section 132 (2) of the Local Government: Municipal Finance Management Act, No. 56 Of 2003.

It is further **RECOMMENDED** to the Council that whilst expressing concern about findings made by the Committee, it wishes to urge the Council to urgently establish and approve practical internal controls and procedures and/or review, if any exist, for purposes of monitoring and implementation of Sections 71 and 72 of the MFMA and compliance thereof. This is in line with AG's findings in item 94 of the report on leadership of the municipality.

With regards to the annual report of the municipal entity, ANDA; the the committee observed with concern that the ANDM as the parent municipality did not monitor and annually review the entity's performance objectives. The page for the Executive Mayor is evident in the entity's report as it is blank.

It is therefore **RECOMMENDED**:

1. That the Council having fully considered the 2011/2012 Annual Report of the municipal entity, Alfred Nzo Development Agency and representations thereon, adopts the 2011/2012 Oversight Report in terms of Section 129 (1) of the Local Government: Municipal Finance Management Act, No. 56 of 2003, and
2. That the Council approves the 2011/2012 Annual Report in terms of Section 129 (1)(a) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 without reservations.

Signed:

  
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Cllr. A. Ngconjana  
MPAC Chairperson

28/03/2013  
Date