

# EPHRAIM MOGALE LOCAL MUNICIPALITY

☎ 111  
MARBLE HALL  
0450  
☎ 013-261 8400  
☎ 013-261 2985



Leeuwfontein Office (013) 261 8509  
Elandskraal Office (013) 261 8506  
Zamenkomst Office (013) 973 9160  
Traffic Section (013) 261 8400

## EXTRACTS FROM THE MINUTES OF THE 3<sup>RD</sup> ORDINARY COUNCIL MEETING OF EPHRAIM MOGALE LOCAL MUNICIPALITY HELD ON THURSDAY THE 30<sup>TH</sup> MARCH 2017

FILE/S: 5/1/3

OC3/01/2017 OVERSIGHT REPORT ON THE ANNUAL REPORT 2015/16

5/1/3

### RESOLVED

1. That the Council having fully considered the circulated Annual report for the period 1 July 2015 to 31 June 2016 and representations thereon, adopts the oversight report.
2. That council review of organizational structure; and amongst others, a consideration is made to have Asset Management as a standalone unit with a divisional manager and adequate number of subordinates. Once the process is finalized and approved; the filing of vacancies in that unit will be of high priority
3. That the steering committee made of directors and chaired by the Accounting officer will holds meetings every three weeks to report on the progress made in the implementation of the action plan and Internal audit unit assign one internal auditor to conduct follow-up audits on a monthly basis to verify and corroborate with evidence the progress reported in the steering committee meetings. Such internal audit reports will be presented and discussed in the steering committee meetings.
4. That to address this challenge raised by AGSA on the work executed; the accounting officer appoint a service provider responsible for AFS on a multi-year contract
5. That the oversight report be made public within seven days of adoption of the report
6. That council approve report / template with the recommendations.
7. That council approves report with reservations.
8. That the Municipal Manager implements the decision accordingly.

M.D. MOTHOGWANE  
SPEAKER

30 MARCH 2017

FINALISATION BY:

Referred to Manager IDP by Municipal Manager

M.M. Mathebela  
Municipal Manager

ALLE KORRESPONDENSIE MOET AAN DIE  
MUNISIPALE BESTUURDER GERIG WORD

MANGWALO KA MOKA A LEBANTSHWE  
GO MOLAODI WA MASEPALA

30/03/17

Date Received

ALL CORRESPONDENCE TO BE ADDRESSED  
TO THE MUNICIPAL MANAGER



## **12 REPORTS**

---

### **OC3/01/2017      OVERSIGHT REPORT ON THE ANNUAL REPORT 2015/16**

---

#### **PURPOSE**

To table to Council the Municipality's Annual report for the period 1 July 2015 to 31 June 2016 and the Oversight report for adoption

#### **BACKGROUND**

The council at its meeting held on 24 January 2017 resolved:

- That the Council take cognizance of the circulated Annual report for the period 1 July 2015 to 31 June 2016.
- That the Council approves that the report be made public and invites the local community to submit representations in connection with the annual report for 2015/16.
- That the annual report be submitted to the Auditor-General the relevant provincial treasury and the provincial department responsible for local government.
- That MPAC prepare an oversight report on the annual report for 2015/16 before 31 March 2017
- That the Audit Committee chairperson tables the Audit reports to every ordinary Council sitting.
- That the Council instructs the Municipal Manager to implement the decision accordingly.

#### **COMMENTS**

The Speaker's office embarked on a program in 14 February 2017 to 17 February 2017 to consult the community on the annual report and the comments received was given to MPAC

MPAC conducted public hearing on 27<sup>th</sup> March 2017 in the Municipal chamber.

The annual report was tabled on 24 February 2017 at Council meeting for council to consider the oversight report

The Annual report was checked by the AG and amendments made according to advise from AG and signed by AG, a copy of which is attached

Attached also is the oversight report from MPAC

#### **RECOMMEND TO RESOLVE**

1. That the Council having fully considered the circulated Annual report for the period 1 July 2015 to 31 June 2016 and representations thereon, adopts the oversight report.
2. That council review of organizational structure; and amongst others, a consideration is made to have Asset Management as a standalone unit with a

- divisional manager and adequate number of subordinates. Once the process is finalized and approved; the filing of vacancies in that unit will be of high priority
3. That the steering committee made of directors and chaired by the Accounting officer will holds meetings every three weeks to report on the progress made in the implementation of the action plan and Internal audit unit assign one internal auditor to conduct follow-up audits on a monthly basis to verify and corroborate with evidence the progress reported in the steering committee meetings. Such internal audit reports will be presented and discussed in the steering committee meetings.
  4. That to address this challenge raised by AGSA on the work executed; the accounting officer appoint a service provider responsible for AFS on a multi-year contract
  5. That the oversight report be made public within seven days of adoption of the report
  6. That council approve report template with the recommendations.
  7. That council approves report with reservations
  8. That the Council instructs the Municipal Manager to implement the decision accordingly.



## **Ephraim Mogale Local Municipality**

# **OVERSIGHT REPORT**

**OVERSIGHT REPORT OF ANNUAL REPORT 1. JULY 2015 TO 31 JUNE 2016**

**TABLE OF CONTENTS**

- 1. Background and Legislative mandate for the Oversight Report .....**
- 2. Comments on the Annual Report .....**
  - 2.1. Municipal Finance Management Act .....**
  - 2.2. Division of Revenue Act .....**
  - 2.3. Municipal Systems Act – Municipal performance .....**
  - 2.4. General findings .....**
    - 2.4.1. Contents of the report .....**
    - 2.4.2. Audited financial statements and Auditor General’s Report .....**
    - 2.4.3. Submission of Annual Financial Statements for 2014/15 Financial year .....**
    - 2.4.4. Recommendations from the Audit Committee .....**
    - 2.4.5. Action plan on issues raised by the Auditor General .....**
    - 2.4.6. Municipal owned entity (SDA) .....**
    - 2.4.7. Public Consultative Meeting / Comments from the public .....**
      - 2.4.7.1. Compliments, comments and representations from the public .....**
        - 2.4.7.1.1. Basic Services .....**
        - 2.4.7.1.2. Local Economic Development .....**
        - 2.4.7.1.3. Corporate Services .....**
        - 2.4.7.1.4. General .....**
- 2.5. Recommendations .....**

**ANNEXURE A**

**OVERSIGHT PROCESS FOLLOWED**

## 1. LEGISLATIVE MANDATE FOR THE OVERSIGHT REPORT

In terms of Local Government :Municipal Finance Management Act 56 of 2003 section 129 states that the Council of a municipality must 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 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 has:

- Approved the Annual Report with or without reservations;
- Rejected the Annual Report; or
- Has referred the Annual Report back for revision of those components that can be revised.

The Council of Ephraim Mogale Local Municipality has the responsibility to oversee the performance of the Municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA). On 2 January 2017, Council considered the 2014/15 Annual Report of the Municipality and referred the Report to the Municipal Public Accounts Committee for review and the drafting of this Oversight Report.

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 and to adopt an Oversight Report containing the Council's comments on the Annual Report. The Oversight Report is therefore clearly distinguished from the Annual Report. The Oversight Report is a report of the Municipal Council and follows consideration and consultation on the Annual Report by the Council itself.

The MFMA (Section 129 (1)) and National Treasury's (NT) Circular 32 direct and guide the oversight process and the preparation of the oversight report. Circular 32 recommends that Council establish an Oversight Committee to prepare an oversight report, in order that all Councillors be provided with a more detailed and comprehensive analysis of the Annual Report than would have been practical otherwise. This assists Council in providing better oversight over municipal performance.



The Ephraim Municipal Account Committee members were appointed on the 17 July 2014 and it is comprised of the following members and new members appointed on 17 August 2016

<b>MPAC MEMEBRS SERVED IN PREVIOUS TERM OF OFFICE</b>		<b>CURRENT MPAC MEMEBRS</b>	
1. Cllr M.G Phala	Chairperson	1. Cllr Philemon Ranoto	Chairperson
2. Cllr B.G Mashego	Member	2. Cllr Jonas Kekana	Member
3. Cllr M.J Mokonyane	Member	3. Cllr Fridah Maloka	Member
4. Cllr M.J Nchabeleng	Member	4. Cllr Refilwe Phokwane	Member
5. Cllr J.H Bogopa	Member	5. Cllr Gladys Phefadi	Member
6. Cllr M.M Kekana	Member	6. Cllr Patrick Mashego	Member
7. Cllr S.C Mamogobo	Member	7. Cllr Given Moimana	Member
8. Cllr O.E Sebothoma (deceased) Replaced by J Kekana)	Member	8. Cllr Lawrence Mohlala	Member
9.Cllr K.N Kekana	Member		

The Municipal Public Accounts Committee met on the 08– 10 March 2017 at the Tiveka Game Lodge, to consider and interrogate the 2015/16 Draft Annual Report against the legislative requirements and generate the Oversight Report with recommendations to Council.20

The Municipal Public Accounts Committee of the Ephraim Mogale Local Municipality fulfils the oversight role of Council. The mandate of the Municipal Public Accounts Committee includes an analysis of the institution's Annual Report and the development of appropriate recommendations to Council.

The meetings of the Municipal Public Accounts Committee on the 2015/16 Annual Report, as reflected below, were open to the public and media to ensure a transparent and credible oversight process



**EPHRAIM MOGALE**

**LOCAL MUNICIPALITY**

**PUBLIC PARTICIPATION**

**DRAFT ANNUAL REPORT 2015/16**



<b>WARDS</b>	<b>VENUE</b>	<b>DATE</b>	<b>TIME</b>	<b>PRESENTERS</b>
1,2,3,4,5 & 6	MOKGWANENG COMMUNITY HALL	14 Feb-2017	10h00	EXCO & All Cllrs
8,9 & 10	MASWI A NAPE PRIMARY SCHOOL	15 Feb-2017	10h00	EXCO & All Cllrs
11,12 & 13	VAALBANK SASSA PAY POINT	16 Feb-2017	10h00	EXCO & All Cllrs
14,15 & 16	MBUZENI AGRICULTURAL OFFICE	17-Feb-2017	10h00	EXCO & All Cllrs

## 2. Comments on the 2014/15 Draft Annual Report

### 2.1 Comments on the Municipal Finance Management Act

Legislative requirement	Level of compliance
<p>a) The annual financial statements are to be compliant with the generally recognized accounting practices (GRAP)</p>	<p>EPMLM 2015/16 Draft Annual report contains the audited financial statements as presented to Council on the 24<sup>th</sup> January 2017.</p>
<p>b) The Auditor-General's Report is to be included in the Annual Report</p>	<p>complied</p>
<p>c) Explanations to be included that are necessary to clarify issues in connection with the financial statements</p>	<p>complied</p>
<p>d) An assessment on arrears on municipal taxes and service charges to be included</p>	<p>EPMLM 2015/16 Draft Annual report contained the said documents as presented to Council on the 24<sup>th</sup> January 2017.</p>
<p>e) Corrective action taken or to be taken in response to issues raised in the audit reports</p>	<p>Non-compliant</p>

**2.2 Comments on Division of Revenue Act**

Legislative requirement	Level of compliance
<p>a) The Annual Report to disclose:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Details of conditional grants received from national and provincial spheres;</li> <li><input type="checkbox"/> Details of conditional grants received from other municipalities; and</li> <li><input type="checkbox"/> Details of grants made to any organs of state</li> </ul>	<p><b>Complied</b></p>
<p>b) The extent to which the conditions of the grants were met</p>	<p><b>The extent to which conditions of the grants were met were not verified due to the non-availability of audited financial statements, Not all grant.</b></p>

### 2.3 Comments on Municipal Systems Act – Municipal Performance

Legislative requirement	Level of compliance
a) Has the performance report been included in the Annual Report?	<b>Complied</b>
b) Have all the performance targets been included in the report?	<b>Complied</b>
c) Is the Council and the Community satisfied with the performance?	<b>The community is not satisfied with the performance of the municipality with regard to underspend additional MIG and vacancies not filled as raised during the public participation on the 2015/16 draft annual report.</b>
d) What actions have been taken and planned to improve performance?	<b>Corrective measures were put in place to improve performance. (Audit action plan through audit steering committee).</b>
e) Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?	<b>The Audit Committee Report was included in the 2015/16 Draft Annual Report as presented to Council on the 24<sup>th</sup> January 2017.</b>
f) The annual report to have full information on projects implemented by the municipality.	<b>The figures are convincing</b>

## **2.4 Comments on other findings**

### **2.4.1 Contents of the report**

#### **2.4.2 Audited Financial Statements and the Auditor General's Report**

In terms of Section 127(2) of the Local Government : Municipal Finance Management Act no 56 of 2003 the annual report must be tabled in Council within seven (7) months after the end of the financial year which should include audited financial statements and the Auditor General's Report

**The EPMLM 2015/16 draft annual report contains the said documents as presented in the Council meeting of 24<sup>th</sup> January 2017**

#### **2.4.3 Submission of Annual Financial Statement for 2014/15**

The Local Government: Municipal Finance Management Act 56 of 2003 Section 126 (1) and the MFMA finance Management calendar states that the annual financial statements should be submitted by 31<sup>st</sup> August annually.

**The EPMLM annual financial statements were submitted on time**

#### **2.4.4 Recommendation from the Audit Committee**

In line with Section 166 of the Local Government : MFMA 56 OF 2003 the Audit Committee is responsible for advising Council, political office bearers, accounting officer and management staff of the municipality on matters relating to performance management.

Section 121(3) (j) of Local Government: Municipal Finance Management Act, states that the annual report of a Municipality must include any recommendations of the Municipality's Audit committee.

**The EPMLM 2015/16 draft annual report contain recommendations from the Audit committee as presented in the Council meeting of 24<sup>th</sup> January 2017**

#### **2.4.5 Action Plan on issues raised by the Auditor General**

Section 121 (3)(g) of the Local Government: Municipal Finance Management Act 56 of 2003 states that the annual report of a municipality must include 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).

**The EPMLM 2015/16 Draft Annual Report as presented to Council on the 24<sup>th</sup> of January 2017 was include the Action Plan on issues raised by the Auditor General.**

#### **2.4.6 Municipal own entity (SDA)**

#### **2.4.7 Comments from the Public**

Section 75(1)(c) of the Local Government : Municipal Finance Management Act states that the Accounting Officer of the municipality must place the annual report on the municipal website.

**The EPMLM draft annual report for 2015/16 financial year is placed on the municipal website.**

Section 127 (5)(a) (i) and (ii) states that immediately after the annual report is tabled in council in terms of subsection (2) , the accounting Officer must make public the annual report and invite the local community to submit representations in connection with the annual report.

**The report was made public from the 14 February 2017 and closed on the 19 February 2017 for public comments and representations.**

The National Treasury: MFMA Circular 32 as released on 15 March 2006 on Oversight on the Annual Report states all meetings of Council and the oversight committee at which an annual report is considered must be open to the public and a reasonable time must be allowed for discussion of any written submissions received and for members of the community and organs of state to address the meetings

The Municipal Public Accounts Committee conducted public participation meetings on the EPMLM 2015/16 Draft Annual Report between the 14 February 2017 to 17 February 2017 where all wards within the Municipality participated. The invitees were, ward committee members, community development workers and members of the public.

#### **2.4.7.1 COMMENTS OR REPRESENTATIONS FROM THE PUBLIC**

##### **2.4.7.1.1 Water and Sanitation Services**

- Annual report to be submitted before actual date
- Water supply to be improved
- Flag Boshielo water plant to be upgraded.

##### **2.4.7.1.2 Local Economic Development**

- Local economic strategies should focus on sustainable agricultural projects to reduce unemployment rate in the EPMLM.
- The EPMLM should partner with mines and big businesses to develop plans for creation of employment opportunities.
- Tourism sector should provide employment opportunities.
- Contractors on site should be regularly monitored to avert labour disputes and non-completion of projects.

##### **2.4.7.1.3 Corporate Services**

- Vacant posts to be filled in terms of the Municipal organogram.
- The issue of gender representation and disabled people should be prioritized for employment opportunities.

##### **2.4.7.1.4 General**

- Indigent register must be reviewed annually
- The rate of under spending is increasing
- High rate of unemployment



## 2.5 GENERAL FINDINGS

### FORMAT AND CONTENTS

- 2.5.1 Key service delivery information on provision of water. Sanitation and electricity is reflected in the draft 2014/15 annual report
- 2.5.6 The 2015/16 Annual Report reflect the Municipality's By-Laws and the list of developed or reviewed policies for the year under review

### 3 Recommendations

The EPMLM MPAC recommends:

- 3.1 That council review of organizational structure; and amongst others, a consideration is made to have Asset Management as a standalone unit with a divisional manager and adequate number of subordinates. Once the process is finalized and approved; the filling of vacancies in that unit will be of high priority
- 3.2 That key service delivery information on water, sanitation and electricity be detailed as per ward.
- 3.3 That the steering committee made of directors and chaired by the Accounting officer will holds meetings every three weeks to report on the progress made in the implementation of the action plan and Internal audit unit assign one internal auditor to conduct follow-up audits on a monthly basis to verify and corroborate with evidence the progress reported in the steering committee meetings. Such internal audit reports will be presented and discussed in the steering committee meetings.
- 3.4 That to address this challenge raised by AGSA on the work executed; the accounting officer appoint a service provider responsible for AFS on a multi-year contract
- 3.6 That council approves the 2014/15 draft annual report with reservations.


## **ANNEXURE A**

### **OVERSIGHT PROCESS FOLLOWED**

- In compliance with legislation, EPMLM tabled the 2015 / 2016 Draft Annual Report on 24<sup>th</sup> January 2017 at Ephraim Mogale Local Municipal Chamber.
- Council referred the EPMLM 2015/16 Draft Annual report to MPAC on 24<sup>th</sup> January 2017 for oversight and the generation of the oversight report as required by the MFMA
- MPAC met on the 08<sup>th</sup> – 10<sup>th</sup> March 2017 at the Tiveka Lodge, Mokopane to consider and interrogate the 2015/16 Draft Annual Report against the legislative requirements and generate the Oversight Report with recommendations to Council.
- The report was made public from the 25 January 2017 and closed on the 19 March 2017 for public comments and representations.
- MPAC conducted public participation meetings on the EPMLM 2015/16 Draft Annual Report between the 14 March 2017 to 17 March 2017 wherein all wards within the Municipality. The invitees were, ward committee members, CDW and members of the public.
- MPAC convened for a special meeting on 28 February 2017 to consider the Draft Oversight Report on the 2015/16 Draft Annual Report.

**CLOSING REMARKS OF THE MPAC CHAIRPERSON**

Finally, I would like to commend my fellow Municipal Public Accounts Committee members for their hard work and commitment. I would also like to thank the Speaker and the Officials for their support in the Oversight process, especially the Municipal Manager and the Chief Internal Auditor who provided strategic support in this process. A word of thanks must also be given to the Office of the Auditor-General and the Audit Committee for their input in the Annual Report and oversight processes.

  
Cllr Philemon Ranoto  
MPAC Chairperson

DATE 25/03/2017



Ephraim Mogale Local Municipality

## MUNICIPAL PUBLIC ACCOUNT COMMITTEE QUESTIONS BASED ON AGSA & ANNUAL REPORT 2015/16

QUESTIONS	RESPONSES
<p>1. AGSA gave the municipality a qualified opinion after municipality received disclaimer opinion for the past three years, MPAC would like to record its appreciation for efforts and improvement of collective achievement</p> <ul style="list-style-type: none"> <li>• What progress has been made with the implementation of the AGSA action plans to address audit findings/issues?</li> <li>• Who is monitoring this plan to ensure that it yields positive returns</li> </ul>	<p><i>What will the accounting officer do differently in the current year (Financial year 2016-17) to improve the audit outcome and strive towards an unqualified audit opinion with no findings?</i></p> <p>The following measures are already and/or will be put in place to ensure improvement of audit opinion:</p> <ul style="list-style-type: none"> <li>- <u>Establishment of Asset Management Unit</u></li> </ul> <p>We have taken Asset Management function from the SCM unit, and have now established a standalone Asset Management Unit. The filling of the positions in the unit will be prioritized.</p> <ul style="list-style-type: none"> <li>- <u>Kick-off the AFS process plan earlier</u></li> </ul> <p>Our previous AFS were completed on the last day of submission. This denied us the opportunity to have the AFS thoroughly reviewed by independent functions such as internal audit and audit committee. We believe that with thorough review some of the misstatement could have detected and resolved timely. Some, AGSA allowed us to make adjustment, but some he could not allow and as a result ended up being reported in the audit report.</p> <p>So the plan this year is to have the AFS process plan starting earlier; and then this will allow ample time for review.</p>

- Reduce usage of deviation

We have noted that AGSA audit attitude towards the deviations was very strict. The new irregular expenditure reported in the audit report emanated from the deviation transactions.

So we have taken a decision as management; to avoid use of deviation at all; unless otherwise forced. This however at times means we have to procure at a high cost.

E.g Previously we would use deviation for accommodation of our traffic officer when they go for college. We would deviate from a tender and then request three quotations from three lodges in Bloemfontein near the colleges. During the audit, AGSA queried such to be irregular. So what we doing now, is to advertise a tender for which local service providers bid for, and then add a mark-up on a quotation they would have got from lodges in Bloemfontein. The municipality end up paying more so that we don't incur irregular expenditure.

Over and above that; the municipality will continue with the same strategies applied in the previous audit (especially on Bank Recon and Asset Management) as they have been proven to be successful; the only reason they could not yield results was timeframe;

For example: The work we did to resolve findings on bank reconciliation was audited by AGSA and found to be working. However, due to the volume of legacy issues (historic findings on bank recon); the work could not be completed in one year. So we continuing with the same work and anticipating to clear off everything in the current year. The same thing will happen on Assets.

What progress has been made with the implementation of the AGSA action plans to address audit findings/issues?

At the close of the previous financial year; 108/134 findings which were on the AGSA action plan were verified as resolved. 26 outstanding findings were related to the AFS and Asset register and could only be completed in August with submission of AFS to AGSA, and as such, the only verification to certify that they have been resolved would be the AGSA audit. The AGSA was happy with the strategies and work done, however, not all issues could be resolved. But as said above, continuation of the same work in this year will clear off the issues.

Who is monitoring this plan to ensure that it yields positive returns

The Internal Audit Unit monitors the implementation of the Audit Improvement action plan through the following:

- **Audit technical Committee Meetings**

The steering committee made of directors and chaired by the Accounting officer will hold meetings every three weeks to report on the progress made in the implementation of the action plan.

- **Follow –up audits**

Internal audit unit assign one internal auditor to conduct follow-up audits on a monthly basis to verify and corroborate with evidence the progress reported in the steering committee meetings. Such internal audit reports will be presented and discussed in the steering committee meetings

**2. Property Plant and equipment**

**‘There were no satisfactory alternative means that the AGSA could perform to quantify the extent of the understatement of property, plant and equipment stated at R 803 262 197(2015 R 793 217 685) as per the statement of financial position,**

**The AGSA identified infrastructure, plant and machinery belonging to the municipality that was not included in the underlying records, as the municipality did not have adequate systems.**

- Why did the municipality not recognize all PPE in accordance with GRAP 17?
- Was the Asset Register reviewed before submission to AGSA (useful lives and residual values)?
- Why are assessment of impairments, residual values and useful lives not performed?

These as indicated above; emanate from historic issues. The municipality has put work on resolving the assets issues raised by AGSA in the previous years; however not all issues could be addressed in one financial year. We shall continue on the work and clear off all issues.

Yes the asset register was reviewed by senior experts from our service provider and then by our CFO. AGSA was actually happy with the improvement made on the asset register; and raised few technical issues which will be resolved.

Here it was an issue of interpretation of standards. The issues emanated from various issues were AGSA interpreted GRAP standards differently from our team. For example; on the High Mass light, our High mass light have been completed, but not yet working because Eskom has not energized. Our team was of the view that, in terms of the GRAP-definition of asset, the mass lights are actually a work in progress because you cannot say they are 100% complete, and as such you can only start depreciating the mass light when they are energized and working. But AGSA was of the view that they are a complete asset and should be depreciated. So this is actually an indication that we are improving, because we now at a stage where we debating with AGSA technical issues as opposed to previous years were he would just say your asset register doesn't mean anything and then disclaim us.

<p><b>3. Investment Property</b></p> <p><b>The AGSA reported that the land and equipment belonging to the municipality were incorrectly recorded in the asset register and financial statements</b></p> <ul style="list-style-type: none"> <li>• What are controls that are in place to ensure all assets are recorded and verified?</li> <li>• How is the collaboration between the finance team and internal audit in ensuring that physical verifications of assets are done on a regular basis</li> <li>• How often is the Asset Register updated?</li> <li>• Are staff capacitated on asset management and Investment Property?</li> </ul>	<p>Again; here it was a technical issue. The main finding on this item emanated from Landfill site. In short, Investment property is an assets which the municipality is holding for investment purposes. So traditionally; landfill site would be an investment property. But then our team made an assessment of the entire operation/business of the landfill site and compared the cost incurred to have it operating vs the money it generate; and it was found that municipality is actually making a loss. So they applied another GRAP standard and then decided to classify the landfill site as Property Plant and Equipment(normal asset). However; AGSA felt the item should have been classified as investment property. So it was a technical issue.</p> <p>We must however acknowledge that there are still some gaps in terms of controls and management of assets and assets register. We are hoping that the establishment of the asset management unit will help strengthen the controls.</p> <p>Let me give another example: AGSA found that there were assets which were not in the asset register and also assets that are in the asset register but not found on the designated location. This is how he found it. Municipality bought Road Signs. When those road signs are received they are put in stores and recorded as inventory. Our team did verification in June and updated the asset register. Sometimes in august, our infrastructure unit goes out (without notifying the asset management team) and then replace old road signs which our asset team verified and bar-coded in June; they then put new road signs. In October AGSA goes out to do their own asset verification, and they don't find the road signs which are recorded in the asset register; but find the new ones. So they then work out the percentages in terms of the sample vs total population of assets and conclude that not all assets were</p>
---	---



	<p>recorded in the asset register, and not all assets as recorded in the asset register are were the register says they are.</p> <p>So once we have the asset management unit headed by the manager, and then the manager will set out processes which will indicate when new assets can be delivered and what must happen when they are delivered; some of this minor issues will fall off.</p>
<p><b>4. Cash and cash equivalents –</b></p> <p>The AGSA was unable to obtain sufficient appropriate audit evidence to support bank reconciling items amounting to R 12 299 399(2015 R 12 318 181) in respect of cash and cash equivalents, as the municipality did not have adequate systems in place.</p> <ul style="list-style-type: none"> <li>• Does BTO perform monthly bank reconciliations?</li> <li>• Who is the responsible official?</li> <li>• Why supporting documents for bank reconciliation were not submitted to AGSA?</li> <li>• What are the corrective measures in place to ensure that this does not recur?</li> </ul>	<p>As indicated above; this was a historic issue. The work we doing to resolve the issue was found to be yielding results by the AGSA, and therefore now we gonna continue working on it and clear off all issues.</p> <ul style="list-style-type: none"> <li>- The municipality is now performing bank reconciliations on a monthly basis.</li> <li>- The bank reconciliation were prepared by the interns and then reviewed by manager financial reporting. However, the position of Accountant responsible for bank reconciliation was just interviewed.</li> <li>- The supporting document referred to can only be gathered through the work to address the legacy issues.</li> </ul>
<p><b>5. Irregular expenditure</b></p> <p>The municipality made payments in contravention of SCM requirements resulting in irregular expenditure of R19 760 508(2015 R 26 865 367),</p> <ul style="list-style-type: none"> <li>• Why did the municipality incur irregular expenditure?</li> <li>• Was there any investigation done as per MFMA section 32?</li> </ul>	<p>The irregular expenditure is subsequent payments made on the contracts which were found to be irregular in the prior year. The item could not be resolved as MPAC did not conduct investigations and make recommendations to council.</p>

<p>There were few instances of irregular expenditure in the previous audit which emanated from some of the deviations we have made. As indicated above, going forward we avoiding deviations.</p> <p>The accounting officer reported the irregular expenditure to council. Council has referred the items to MPAC for investigation. MPAC should now conduct investigations and then report back to council.</p>	<ul style="list-style-type: none"> <li>• Who is the responsible official (s) for these irregular expenditures?</li> <li>• What are the internal disciplinary actions taken against responsible official for the non-compliance?</li> <li>• What internal controls are put in place to prevent irregular expenditure?</li> <li>• Did the Accounting Officer follow all the required processes in relation to the irregular expenditure in terms of MFMA Section 170?</li> </ul>
<p>The indicator description manual was developed; however at the time of audit it was still a draft. The manual has since been approved.</p> <p>A PMS service provider has been appointed to assist with the crafting of planning documents and to transfer skill and help build internal capacity.</p> <p>Notwithstanding the fact that there was poor performance in as far as performance management and reporting is concerned. We need to acknowledge the improvement made in that aspect, where the municipality moved from a disclaimer in Performance Management to qualified. So again, it's a matter of resolving legacy issues which at times take time, however a lot of work has already been done, and we hoping for an improved conclusion in the next audit.</p> <p>For the period which was audited; the PMS framework was still a draft and was only approved in the last month of that financial year. (Remember that AGSA came and did audit in 2014/15 and then he queried that the PMS system is not adopted by council. That report was issued in November 2015, thus halfway to the end of 2015/16 financial year). The municipality established the IDP office which had to deal with</p>	<p><b>6.Predetermined objectives</b></p> <p><b>A total of 100% of the reported objectives, reported indicators and reported targets were not consistence with those in the approved IDP.</b> <u>Pg 24</u></p> <ul style="list-style-type: none"> <li>• Why is there no Indicator Description Manual?</li> <li>• When will the manual be developed?</li> <li>• Indicate corrective measures to ensure alignment of strategic document i.e IDP, SDBIP and Annual Report</li> <li>• Indicate corrective measures for unachieved planned targets</li> <li>• Who is the responsible official and what actions are being taken by the accounting officer to ensure consequences for poor performance?</li> </ul>
<p>It was reported in the AGSA report that the adopted integrated development plan (IDP) does not reflect and identify the municipal council's vision for the long term development of the municipality, and the</p>	<p><b>7.Strategic Planning and Performance Management</b></p> <p><b>It was reported in the AGSA report that the adopted integrated development plan (IDP) does not reflect and identify the municipal council's vision for the long term development of the municipality, and the</b></p>

<p>key performance indicators and targets as required by sections 26 and 41 of the MSA, as well as Municipal planning and performance management regulation 2(1)(e).</p> <p>The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA And that the annual performance agreements for the municipal manager and all senior managers are not linked to the measurable performance objectives approved with the budget and to the service delivery budget implementation plan as required in terms of section 53(1)(c)(iii) of the MFMA and MSA</p> <p>The Mayor and Municipal Manager should set the right tone at the top in terms of good governance and monitor management progress to prevent and detect non-compliance with laws and regulations.</p> <ul style="list-style-type: none"> <li>• Why was the performance management system not adopted by council in accordance with MSA 38(a)?</li> <li>• Who is the responsible official for the non-compliance?</li> <li>• What corrective measures are being taken to ensure that it does not occur in future?</li> </ul>	<p>the issues raised. The manager work on a framework and then have it approved in June 2016. Then AGSA comes back to audit 2015/16 so the issue will still be reported because we went 11 months without the framework</p>
<p>8. Human resource</p> <p>The AGSA reported that the municipality did not develop and adopt appropriate systems (policies) and procedures to monitor, measure and evaluate performance of staff in contravention of section 67(d) of the MSA.</p> <ul style="list-style-type: none"> <li>• Why were there no appropriate policies and procedure manuals to monitor, measure and evaluate performance of staff?</li> <li>• When will these policies and procedure manuals be developed?</li> </ul>	<p>Again; here it is a factor of time. The AGSA issued the report in November 2015 querying that we did not have this policies. We then worked on the policies; but by the time the policies are approved the subsequent financial year is already ending; so the issue will be reported again.</p>

<p><b>9. Procurement and contract management</b></p> <ul style="list-style-type: none"> <li>• Why was the threshold for local content not applied in accordance with the Preferential Procurement Regulation?</li> <li>• What controls are put in place to strengthen contract management and lessen litigations?</li> </ul>	<p>This was an exceptional issue which came because of differences with AGSA in interpreting the regulation. The issue emanated from the formal quotation were our electrical unit wanted to procure PADLOCKS to lock the meter boxes. So the name of the project was "Supply and delivery of electrical parts". Now, the local content regulation has a list of electrical items which has minimal threshold for local contents. Such items include cables, sockets etc, but not PADLOCKS. So municipality did not request service providers to complete the MBD6 form for local content because there is no requirements for such on PADLOCKS. But AGSA moved from the point that the heading said Electrical parts and therefore the municipality should have included the MBD6 form.</p> <p>We now implement the AGSA recommendation.</p>
<p><b>10. Consequence Management</b></p> <ul style="list-style-type: none"> <li>• Were there incidence of financial misconduct?</li> <li>• Number of officials involved?</li> <li>• What action/step were taken to recover the costs incurred from implicated officials?</li> <li>• Why are cases of financial misconduct which constitute crime not reported to SAPs as required by section 10(1)-of the Municipal regulation on financial misconduct?</li> </ul>	<p>Again on this one, it was a matter of interpretations of the law.</p> <p>Officials were charged for inflating the KM when traveling and a case of theft of fuel in the workshop. The officials underwent the disciplinary process and were sanctioned in accordance with the recommendations of the DC reports. The municipality was of the view that this is consequence management.</p> <p>However, AGSA feels that the municipality should have also reported the matters to SAPS as inflating KM is actual criminal offence.</p> <p>Going forward: there is a new regulation on financial misconduct which provide clear guidelines on how financial misconduct matters should be dealt with. The municipality has requested Provincial Treasury to come and assist with development of financial misconduct committee and procedure manual and then conduct a training on the new regulation. This we believe will assist in resolving the matter going forward.</p>

	<p>But in addition; the legal unit is also working on a consequence management procedure manual and checklists which will address the matter.</p> <p>We will forward the Disciplinary Committee report to the MPAC chairperson. The report will indicate the officials responsible and the sanctions thereof.</p>
<p><b>11. PG 33 OF ANNUAL REPORT</b> <b>Human Resources Overview</b></p> <p>Ephraim Mogale local municipality is having an organizational structure that was approved by Council during the adoption of the IDP and budget. The structure has approved posts as follows:</p> <ul style="list-style-type: none"> <li>• Created/ approved post = 269</li> <li>• Filled posts = 232</li> <li>• Vacant = 37</li> </ul> <p>1. Why is it taking long for management to fill the vacancies which were already active in the payroll?</p>	<p>The process of filling Senior Managers' posts is long and depend on response by other external institutions, which often delay.</p> <p>As for other posts, advertisement thereof is done on opening of a vacancy, and sometimes a delay is caused by the re-advertisements of such posts due to applicants not meeting the requirements.</p>
<p><b>12. PG 43 OF ANNUAL REPORT</b> <b>WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL</b></p>	<p>Municipality has engaged with the communities which currently receiving service without paying, and proposals are being considered for a reasonable fee to be paid in exchange of the service.</p> <p>Parallel to that, municipality has embarked on a data-cleansing project to ensure the billing information is credible and would give rise to unnecessary disputes with regard to bills.</p>

<p>The Municipality managed to consistently deliver on the collection of refuse in the following 5 areas: Marble Hall, Leeufontein, Leeufontein RDP, Elandskraal and Schoeman Farms.</p> <p>Page 46 of the Draft Annual Report, Elandskraal and Leeuwnfontein render the council to run services at a loss because there is no revenue collection.</p> <ul style="list-style-type: none"> <li>• What corrective measures are being taken to ensure that collection of revenue has started?</li> <li>• What is the municipality doing to make sure that waste is collected in all areas targeted?</li> </ul>	<p>Once the billing and collection challenges are resolved, the service will be able to sustain itself and that would allow for municipality to extend it to other communities.</p>
<p><b>12. PG .48 – ANNUAL REPORT FREEBASIC SERVICES AND INDIGENT SUPPORT</b></p> <p>The Ephraim Mogale Municipality only provided Free Basic Electricity to the indigent. There is, however a need to review the indigent policy. The municipality has set a target of 2000 beneficiaries to receive Free Basic Electricity in the 2015/16 financial year and it only managed to provide for 1900 beneficiaries who are on the indigent register.</p> <ul style="list-style-type: none"> <li>• <b>Why did the institution fail to provide for the variance of 100?</b></li> <li>• What were the causes for not reaching the set target?</li> <li>• Who is the responsible official?</li> <li>• Did the municipality review the indigent register as per the legislative requirements?</li> <li>• What actions are being taken by the municipality to deal with these matters?</li> </ul>	<p><u>Why did the institution failed to allocate targeted 2000?</u></p> <p>Communities were consulted through the municipality structures (Ward Councilors, Ward Committees and CDW) to have qualifying households enlisted as beneficiaries of indigent program. Only 1900 beneficiaries were identified and enlisted on the program.</p> <p><u>Who is the responsible official for the non-compliance?</u></p> <p>Failure to reach the target of 2000 in this regard should not be seen as non-compliance. In fact, it could be due to the success of the municipality's process of identifying qualifying households. It should be noted that whilst municipality aims to reach all households which could be regarded as indigent, stringent controls should be incorporated into the process of identifying such to ensure that only, and only qualifying beneficiaries are enlisted on the program.</p> <p><u>What corrective measures are being taken to ensure that it does not occur in future?</u></p>

	<p>Municipality will continue to review the indigent register to ensure that the status of the enlisted is up-to-date and that additional qualifying households are included</p>
<p><b>13. PG 48 OF ANNUAL REPORT</b></p> <p><b>ROADS</b></p> <p>The total length of the road network under ownership of Ephraim Mogale Local Municipality is 1111, 9km, of which 974 km are gravel and 137.9 km are surfaced. This exclude roads owned by SANRAL, Province/ District Municipality, and Private Roads. This translates to only 12.4% of the network being surfaced and the rest of network, i.e. 87.6%, being gravel.</p> <ul style="list-style-type: none"> <li>• How much is spent on surfacing the internal streets?</li> <li>• How many kilometres did the municipality manage to surface 2015/16?</li> </ul>	<p>The total budget spent on surfacing the internal streets was R 73 800,000 and the total kilometers were 9.97 km.</p> <p>Project for last financial year and their budgets:-</p> <ol style="list-style-type: none"> <li>1. Matilu- 1.1km = R 9 500,000.00</li> <li>2. Puleng-1.08km = R 9 500,000.00</li> <li>3. Elandskraal- 2.7km = R 10 000,000.00</li> <li>4. Moganyaka- 1km = R 7 000,000.00</li> <li>5. Dichoeung – 1.45 km = R 11 800,000.00</li> <li>6. Mohlalaotwane – 2.64km = R 26 000,000.00</li> </ol> <p>Total length=9.97 km Total budget= R 73 800,000.00</p>
<p><b>14. PG.63 OF ANNUAL REPORT SPORT AND RECREATION</b></p> <p>No maintenance done at Elandskraal &amp; Malebitsa stadium</p> <ul style="list-style-type: none"> <li>• What is municipality doing to correct the situation?</li> <li>• Did the municipality set aside budget for the maintenance of the two stadia as mentioned?</li> </ul>	<p>The municipality refurbished the two stadiums in 2011/12 and unfortunately they were vandalized due to non-availability of security on site.</p> <p>The municipality has deployed security officers to Elandskraal stadium to curb vandalism. Malebitsa stadium does not have security but it will be accommodated by EPWP programme in the next financial year.</p> <p>The budget for maintenance of buildings and facilities including stadiums are under building maintenance.</p>
<p><b>15. PG.117 AND 118 OF ANNUAL REPORT WORKPLACE SKILLS PLAN (WSP)</b></p>	<p>Training of both the employees and councilors was done, however, after the previous Auditor General findings, the procurement for training services had to be done through SCM processes which often take time.</p>

<p>The municipality has a Workplace Skills Plan (WSP) that is utilised for capacity building of staff and councillors.</p> <ul style="list-style-type: none"> <li>• How was the plan implemented in terms of capacitating the staff and councillors?</li> <li>• How does the municipality plan on improving the skills levels of both councillors and officials?</li> <li>• What are the systems (tools) in place to assess the impact of trainings provided? -</li> </ul>	<p>Provision of sufficient budget and making of awareness campaigns will improve the situation.</p> <p>The training forms to which Management must comment about the improvement made gives an idea as to whether there is any impact or not.</p>
<p><b>16. PG 59 OF ANNUAL REPORT NO: 16 AFS MIG</b></p> <ul style="list-style-type: none"> <li>• Why did the municipality underspend on MIG?</li> <li>• Which projects are affected by the underspending?</li> <li>• Does the municipality monitor own funded capital projects?</li> </ul>	<p>The municipality spent 100% of its allocation in the last financial year, except the R8.4 of the additional R20m given the municipality due to high spending. The additional money was only given to the municipality in March 2016, hence R8.4m was not spent.</p> <p>The affected project was Mohlalaotwane .</p> <p>The municipality does monitor own funded projects.</p>



**CLLR P RANOTO**

**MPAC CHAIRPERSON**

27/03/2017

DATE