

# **EPHRAIM MOGALE LOCAL MUNICIPALITY**

## **OVERSIGHT REPORT**

**FOR THE PERIOD**

**1 JULY 2010- 30-JUNE 2011**

### **INTRODUCTION**

This oversight report is prepared pursuant to section 129 of the municipal finance management (MFMA).

### **Status of the annual report**

In our meeting on the 04<sup>th</sup> Special Council 31 01 2012 the council resolved that: The Annual Report for the 2010|2011 be made public in terms of section 127 (2) of the MFMA and that the local communities be invited to submit representations in connection therewith.

### **Auditor General's Report**

Section 127 (2) provides that the Municipality must within seven months after the end of the financial year, table before the council its annual report, which should include the audited annual financial statements. The annual report which was tabled before Council at its meeting of 31-01-2012, contained the Auditor General's report on the audited annual financial statements

### **RECOMMENDATIONS FROM THE AUDIT COMMITTEE ON THE AUDITED ANNUAL FINANCIAL STATEMENTS**

At a meeting of the Audit Committee held on the 02-12-2011, it was resolved that the Annual Financial Statements for the period ended 30 June 2011 be submitted to council for consideration. These were submitted to Council at its meeting on the -31-01-2012 and accepted.

## **RECOMMENDATIONS FROM THE AUDIT COMMITTEE ON PERFORMANCE MANAGEMENT**

Section 166 of the MFMA provides that one of the responsibilities of the Audit Committee is to advise the municipal council, Political Office bearers Accounting officer and Management staff of the Municipality on matters relating to performance.

At a meeting of the Audit Committee held on the **02-12-2011**, the report of the Auditor General on the results of the performance measurement was noted, and it was recommended that the issues raised by the Auditor General be responded to by the Management. This recommendation was accepted by the Council at its meeting on the **31-01-2012**.

## **RECOMMENDATIONS FROM THE AUDIT COMMITTEE ARISING FROM THE AUDITOPR GENERALS REPORT**

At a meeting of the Audit Committee held on around November, the report of the Auditor General on the **financial statements** of the was discussed and it was resolved that The annual report for the 2010|2011 financial year, and the Auditor General's report, be submitted to council for consideration  
These were submitted to Council on **31-01-2012** for consideration and were accepted.

## **COMBINED MEEETING OF MPAC AND OVERSIGHT COMMITEE**

On the **7 TO 9 March 2012** MPAC convened workshop to get a clear understanding of an Annual Report and how to analyze it. Also, on the **26 March** a joint meeting with the **Oversight Committee** where department of **COGSTA** was present to take MPAC through the Annual Report. The intention was to make MPAC conform with all the laws relating to standing rules and Orders of the council as adopted. The MPAC Committee comprises of nine councilors. The MPAC Committee was tasked with the following.

- (1) The detailed analysis and review of the annual report.
- (2) Drafting an Oversight Report for the discussion by the full council.

## **ANALYSIS ABD REVIEW BY THE OVERSIGHT COMMITTEE**

It must be emphasized that MPAC Committee was already charged with the responsibility to critically analys the Annual Report and produce the Oversight Report that has to be tabled before the council on or before the **31 of March 2012**.

## **ANALYSIS AND REVIEW BY MPAC COMMITTEE**

The MPAC Committee met on **15 to 17 March** to carry out the task allocated to them by the Council, and submit the following

The Annual Report of EPHRAIM MOGALE LOCAL for the period from 1 July 2010 to 30 June 2011 should be adopted with reservation

### COMMENTS FROM THE LOCAL COMMUNITIES ON THE ANNUAL REPORT

Pursuant to sec 75 of the Municipal finance management ACT, THE Annual Report was placed on the Councils website after it was tabled at the Council meeting on. Pursuant to community consultation to comment on the Annual report. During the public consultation the issue of **Manotolwaneng** Bridge was sharply raised. Community complained about the poor condition of that bridge. Storm water at Marble Hall, poor maintenance of pavements in **Mamphokgo** and **Elandskraal** was also raised as a serious concern.

The poor condition of the internal streets remained a challenge in most the villages already visited. Due to the unavailability of the annual report being published on the local as well as national newspapers, most of the villages where public meetings were held the communities were not in a better position to express their views as a result. It must be noted that the failure to publish the annual report on the local newspaper is inconsistent with **section 21A** of the MFMA which must be seriously condemned.

### COMMENTS FROM THE AUDITOR GENERAL, PROVINCIAL TREASURY AND OTHER STATE DEPARTMENTS INCLUDING THE DEPARTMENT OF LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS

Upon interaction with **M.r Marais** acting strategic planning manager, MPAC was only informed verbally that the annual report was referred to the Departments above mentioned and according to him No comments were made pertaining the Annual Report

Pursuant to **section 129 (1)** of the Municipal Finance Management Act, the MPAC Committee adopted the Annual Report with reservations. Therefore MPAC of Ephraim Mogale Local Municipality advises the Council of Ephraim Mogale Local Municipality to adopt the Annual Report with reservation.

#### The following were identified as reservations

**1) Annual Financial statements performance and Annual Report ( item 26- page 110 )**

We note that the municipality incurred expenses in excess of the limits provided for in the votes of the approved budget. MPAC that this system be corrected and be well balanced in the 2012|2013 budgeted.

**2) Annual Financial Statements Performance and Annual report --- (ITEM 26 PAGE 110)**

- 3) We note that the financial statement submitted for auditing were not prepared in terms of the MFMA. We base our contention on a number of issues as raised by the auditor General's Report. We strongly advise the administration to refrain from this behaviour.
- 4) On the issue of Audit Committee, MPAC Committee wants to put it on records that the Audit Committee did not consider or conduct internal audit since it was not yet appointed. Audit Committee only got the financial statement from the Auditor General. We therefore stand to believe that the Audit Committee did not fully play its role as expected particularly on the financial statements. Therefore its financial assessment report should not be relied on or considered.

Nb

## **OTHER FINDINGS OF MPAC**

**The following were discovered by MPAC in the Annual Report under review BASED ON WHAT THE ACCOUNTING OFFICER WAS SUPPOSE TO DO.**

### **The Accounting did not**

- (1) Take all reasonable steps to prevent unauthorized and fruitless and wasteful expenditure
- (2) Did not take all the reasonable steps to ensure that the municipality had and maintained a management and effective accounting information system.
- (3) Did not take all reasonable steps to ensure that the financial statements and the report on predetermine the objectives prior submission for audit and thus errors were **not identified and corrected in time.**
- (4) Did not take all the reasonable steps to ensure that the municipality had and maintain the effective system of internal controls especially for assets of the municipality
- (5) Did not ensure that the asset unit is adequately capacitated with people having the necessary skills.
- (6) Did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Please find attached our comments on the financial statements on this Municipalities Annual Report: July 2010-June 2011.

<u>Page 42:</u>	2010 Surplus	8, 958, 034
	2011 Deficit	<u>5, 773, 759</u>
		+ - R13 Million
<u>Page 44:</u>	Sale of property and equipment	R 5, 166,436
<u>Page 46 – 75:</u>	Accounting Policies	
<u>Page 84– 85:</u>	Debtors outstanding	R 19, 671, 398
	Provision for debt	
	Impairment	R 14, 756, 638
<u>Page 86:</u>	Bank balances – OK	
<u>Page 93:</u>	GENERAL EXPENCES	
<u>Page 106:</u>	Comments on why this audit was classified as a qualified audit.	
<u>None compliance comment</u>		

Page 114 – 118

- \* Item nr. 8
- \* Item nr 11
- \* Item nr.13
- \* Item nr. 14

## 1.) STATEMENT OF FINICIAL PERFORMANCE

### Page 42 OF THE ANNUAL REPORT

General report shows a 2010 Surplus of R8, 958, 034 and a 2011 deficit of R5, 773, 759, a difference of +- R13 Million, for which we seek an explanation.

2.

2.) CASH FLOW STATEMENT PAGE 44 OF THE ANNUAL REPORT

The sale of property and equipment to the value of R5, 166,436, is indicated, for which we would appreciate a list of exactly what was sold and at what price.

3.) NOTES TO THE ANNUAL FINANCIAL STATEMENTS PAGE 84/85 OF THE ANNUAL REPORT

Debtors outstanding R19, 671, 398 and Provision for Debt impairment R14, 756, 638.

- We seek a breakdown of the outstanding debtors PER WARD!!!
- We seek a breakdown of the DEBTORS ACCOUNTS TO BE WRITTEN OFF PER WARD!!!

4.) NOTES TO THE ANNUAL FINANCIAL STATEMENTS PAGE 93 OF THE ANNUAL REPORT

a.) AUDITORS REMUNERATION:

This item shows auditor's remuneration R2, 233 106.00 in 2011 and R1, 237 846. We seek to be advised why there was an 80 % increase in auditor's fees.

b.) COMMUNITY DEVELOPMENT AND TRAINING

- This item shown an expenditure of some R15 million for community development and training, for which we seek an explanation for exactly how and where these funds were spent.

//.

3.

c.) CONSULTING AND PROFESSIONAL FEES

- This item shows an expenditure for Consultants and professionals fees of R 5 million.

We request further detail. Who were the consultants?

What work did they do for the municipality that they paid for?

5.) ANNUAL REPORT - PAGE 106

- We note in the Auditor General's comments why this report was classified as a qualified audit.
- We request to see the management report from the accounting officer to the council regarding the auditor's opinion relating to the issues raised by him (The Auditor in this section).

6.) PROPERTY PLANT AND EQUIPMENT

ITEM 7- Page 107:

- The municipality could not provide documentation to support assets additions amounting to R8, 5 Million. We seek to be advised when this information will be available to us.

ITEM 8-Page 107:

- The nature of the municipalities accounting records did not facilitate easy identification and location of the assets recorded in the financial statement. We seek to be advised when this information will be available to us.

7.) CONTINGENT LIABILITIES

ITEM 9 - Page 107:

- The Auditor could not satisfy himself as to the completeness, existence, valuation of contingent liabilities. We seek to be advised when this information will be available to us.

**8.) TRADE AND OTHER PAYABLES****ITEM 10 - Page 107:**

- We note that the municipality did not reconcile the difference of R846 970.00 between the financial statements and the underline accounting records. We seek to be advised when this information will be available to us?

**9.) RETIREMENT BENEFIT OBLIGATIONS****ITEM 11 – Page 108:**

- The Municipality could not provide supporting documentation for retirement benefit obligation, amounting to R5, 683 162.00 disclosed in the financial statements. We seek to be advised when this information will be available to us.

**10.) IRREGULAR EXPENDITURE****ITEM 12 – Page 108:**

- The Municipality procured goods and services amounting to R58 500.00, in contravention of supply chain management and the fact that this municipality did not disclose this amount as a irregular expenditure.
- We further note in this section that there were a number of contracts awarded during the year, under review that could not be submitted for audit. Please advise what disciplinary action, if any, was taken against any of the supply management staff.

**11.) FRUITLESS AND WASTEFULL EXPENDITURE****ITEM 13 – Page 108:**

- We take note of the wasteful expenditure amounting to R119 994.00 . and the fact that this was not disclosed as penalties and interest paid to SARS on late submission and payment of VAT and PAYE.



5.

- We also note the comment that a financial management is to be appointed to deal with these issues, surly this is a function of the SFO?

12.) COMPLIANCE WITH LAWS AND REGULATION-PAGE 110

ITEM 25 – Page

BUDGETS

- We note that the municipality incurred expenses in excess of the limits provide for in the votes of the approved budget. The Sakekamer is asking when this systems budget will be correctly balanced in 2012.

13.) ANNUAL FINANCIAL STATEMENTS,

PERFORMANCE AND ANNUEL REPORT

ITEM 26 – Page 110:

- We note that the financial statements submitted for auditing were not prepared in terms of the MFMA. The Sakekamer is asking when in 2012 this correction will take place.

14.) PERCUREMENT AND CONTRACT MANAGEMENT

ITEM 27 and 29 – Page 110 –111:

- We note that quotations from perspective providers were expected by the municipality, many of whom were not on the list of accredited providers. Awards made to providers whose tax matters had not been declared by SARS as required by SCM regulation 43. We note the accounting officers comment on this matter, and will be looking for any further contravention in the next budget.

## Critical things that must be corrected BY COUNCIL AND the recommendations of MPAC

### Internal Control Deficiency

There are no quality and reliable monthly financial statements and management information. Pertinent information is not identified and captured accordingly in a form and in line with time frame to support financial and performance in general since the financial year especially around 03/04/2010 to the 29/11/2010.

### Operating Expenditure

Municipal Finance Management Act no. 56 of 2003 section 65 (1) (a) provides that the accounting officer is responsible for the management of the expenditure of the municipality and must take all the reasonable steps to ensure that the municipality has and maintain an effective system of expenditure control including procedure for the **approval, authorization, withdrawal and payment** of funds. Some of the expenditures amount **was not** included in the general ledger.

### Human Resources

Section 3 of the skill Development Act provides that every employer must pay for a skill development levy from 01/04/ at a rate of 0.5 percent of the leviabale amount.

Further the Act defines the leviabale amount as the total amount of remuneration paid or payable or deemed to be paid or payable by the employer to its employees during any month as determined in accordance with the employer's liability for any employee's tax in terms of that schedule.

Nb. MPAC found that the salary system for skill development as made to the amount of R29 0513 37 was paid and was actually underpaid with R49 709. 11instead of complying with the above mentioned section

Also, the municipality did not calculate skill development for Ward committee members who received payment which constitute remuneration for attending the ward committee meetings and no contract of employment exist

Nb. the under payment of skill development that is due to SARS is and will always result in a penalties and interest which could result in fruitful and wasteful expenditure

#### Recommendation

Skill development levies should be paid in terms of the provision of the Act in total compliance

#### Employee cost

There were few weaknesses in Human Resource Management such as

(1) Salaries, Allowance, and benefits to the officials.

Allowance and benefits were wrongly disclosed in the financial year on review. Section 57 employees should have individually and separately disclosed on the financial instead of indicating the totals only. This then violates compliance with GRAP statements.

1 Absconding from the work place

2 employees experience poor skills.

Nb. Payrolls for each pay-point were not certified by the head of the unit to ensure that employees do belong to the pay-point

The clocking system of the municipality is not adequate enough to monitor and identify staff members who are not working at the pay-point. Therefore this then create a paradise for ghost employees being paid without the knowledge of the sectional head.

#### Recommendation

Pertinent information should be appropriately disclosed to support financial report.

Monthly certificate of the payroll should be performed to identify the ghost employees.

The Accounting officer must introduce effective measures to curb this bad behavior of employees and arrange a motivational speaker to come and boost the morale of workers.

#### New employees introduced in the municipality

There is no letter to certify that there are new employees that had commenced with their duties and to show the completion of their duties, therefore the newly introduced employee might be overpaid for the days they did not actually worked for.

**Recommendation**

Head of the unit must issue a letter to confirm the exact date at which the new appointments were made.

**Employee taken out of the system**

The following employees were terminated from work. There is no indication of the date at which the service was terminated on the system, and no proof or any documentation to support the termination of the service. This is one area that **might** have caused the municipality a clean audit

Miss K.G Manyelo
Mrs Matlala
Mt A.K Manchidi
Mr Tlamama

**Recommendation**

Proper record keeping and record management must be highly maintained and kept very safe.

Municipal buildings

No rental contract for the occupants of the municipal buildings

Nb. The Mayor was staying or occupying the municipal house without any written form of contract to occupy the house to ensure she is to pay monthly rental.

Recommendation

All tenants that are occupying the municipal houses and all properties must be clearly known, their information including their employment information to be brought to the attention of the accounting officer for an effective administration. This rental contract should be revisited on a regular basis due to increase of employees' salaries on yearly basis.

**Misstatement**

There is internal deficiency that gives rise to the findings of misstatements

**Revenue collection**

Section 23 (1) of the municipality Property Act no.6 of 2004 provides that

A municipality must draw up and maintain a register of property situated within the municipality which consists of Part A and Part B

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Part A of the register must consist of valuations rolls of the municipality including the supplementary valuations of the municipality in terms of section 87

Part B of the register must specify when the property of the valuation rolls or any supplementary valuation which is subjects to=

- (1) Exemption from the rate in terms of **section 15**
- (2) Rebate or reduction rate in terms of **section 15**
- (3) Phasing in of the section 21

Contrary to the above sections, the municipality does not ensure that the consumers were receiving the correct rebate or exception. Therefore farmers may receive rebates which they do not qualify.

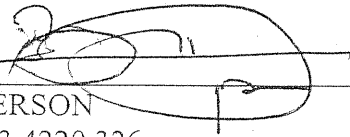
#### Recommendation

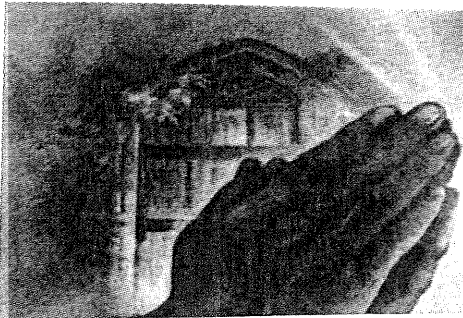
The municipality must keep the register which records all the required information

AS COMPILED BY MPAC ( MUNICIPAL PUBLIC ACCOUNT COMMITTEE OF  
EPHRAIM MOGALE LOCAL MUNICIPALITY.

ATTACHED IN, IS THE LIST OF (MPAC) MEMBERS

<b>J.H BOGOPA</b>	<b>CHAIRPERSON</b>
<b>B.G.MASHEGO</b>	<b>MEMBER</b>
<b>K.M SEOKA</b>	<b>MEMBER</b>
<b>S.T MAHLOBOGOANE</b>	<b>MEMBER</b>
<b>N.R NDOBENI</b>	<b>MEMBER</b>
<b>L.J SHALANG</b>	<b>MEMBER</b>
<b>B.A ESSON</b>	<b>MEMBER</b>
<b>E.M. THIGUVHO</b>	<b>MEMBER</b>
<b>G.N MAKANYANE</b>	<b>MEMBER</b>

SIGNATURE   
MPAC CHAIRPERSON  
CONTACTS 073 4220 326



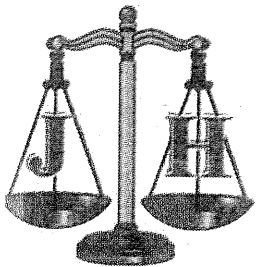
*Wit  
God*

2 Kor 1:20 AOV "Want hoeveel beloftes van God daar ook mag wees, in Hom is hulle ja en in Hom amen, tot heerlijkheid van God deur ons."

Wees sterk en vol moed

Man wat spog dat hy die stert van 'n mensvretende leeu met sy sakmes afgesny het. Toe iemand vra hoekom hy nie die kop afgesny het nie, antwoord hy, "iemand anders het dit reeds gedoen."

## Buyers of ferrous and non-ferrous metals



# JH METALS

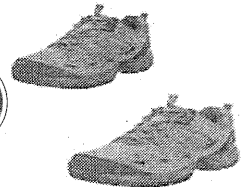


<b>Middelburg</b> 013 243 3651 082 571 6290	<b>Groblersdal</b> 013 262 3813 071 676 8658	<b>Witbank</b> 013 243 5910 083 381 9558
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# expo4Brides

## BRUIDSKOU

18 & 19 Februarie 2012

Ons nooi alle voornemende bruide om die skou by ons woon. Meer as 100 spesialiste in die Bruidsbedryf gaan hul produkte en dienste uitstal. Daar gaan fotograawe, juweliers, rokke, venues, troukoeke, blomme, kerse, musiek & vele meer wees. Geen voornemende bruid mag dit misloop nie! Daar gaan ook vier spogmodeparades wees, waar topontwerpers hul droomrokke vertoon.

**Skoutye:** Saterdag & Sondag 09h00 - 17h00  
**Modeparade:** Saterdag & Sondag 11h00 & 15h00  
**Plek:** Pretoria Skougroende

**WEN 'n TROUOK**

in kyk by [www.weddingguide.co.za/expo4brides.html](http://www.weddingguide.co.za/expo4brides.html)

**Modeparade & kompetisie:**  
Anne 082 536 6323

**Uitstallings & algemene navrae:**  
Carolien 012 365 2205



Ref: Catherine's Collection



## EPHRAIM MOGALE LOCAL MUNICIPALITY

Annual Report 2010 / 2011

• Notice is hereby given in terms of section 21(a) of the Municipal Systems Act, No. 23 of 2000 and section 127(5) of the Municipal Finance Management Act, No. 56 of 2003 that the community is invited to submit representations in connection with the annual report for 2010/11.

• Copies of the report are available on the municipal website [www.ephraimmogalelm.gov.za](http://www.ephraimmogalelm.gov.za) as well as the 3 satellite offices of Zamenkomst, Leeuwfontein, Elandkraal and at the Municipal offices at 13 Ficus Street Marble Hall.

The closing date for written representations is **Friday 2 March 2012**

Representations if posted to be addressed to:

**The Municipal Manager**  
P.O.Box 111  
Marble Hall, 0450

S R Monakedi  
Municipal Manager