



MUNICIPAL PUBLIC ACCOUNTS COMMITTEE REPORT

FOR THE PERIOD

1 JULY 2010-30 JUNE 2011

FILE REFERENCE NO: 4/6/1/1

**REPORT DATED 28 MARCH 2012 FROM MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
TO COUNCIL**

**REVIEW OF MAKANA MUNICIPALITY ANNUAL REPORT FOR THE 2010 / 2011
FINANCIAL YEAR**

PURPOSE:

To submit the Oversight Report on the Annual Report of 2010-2011 in terms of Section 129 of the Municipal Finance Management Act (MFMA).

INTRODUCTION:

The purpose of this item is for Council to consider the oversight report of Annual report for the year ended June 2011. The Municipal Public Accounts Committee is tasked with the review of the annual report and all inputs received in response to the advertising process, and the preparation of an Oversight Report for consideration by the Council at its next meeting.

The Ordinary Council meeting of the 22 September 2011 dissolved the Oversight Committee and appointed Clr J C Wells as Chairperson of Municipal Public Accounts Committee (in short MPAC) along with Clrs L Reynolds, Clr M Booysen, Clr T Ngeleza, Clr M Tame, Clr R Plaatjie, Clr B Bonani, Clr N Tyantsula and Clr D Waldick.

An induction workshop was held with the MPAC members on 12 March 2012.

The MPAC committee must prepare a report to Council after review with recommendations as follows;

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

This is in terms of Section 129 of the MFMA

Attached as Annexure A, the members will find a copy of National Treasury MFMA Circular 32 which deals with the oversight process that the Councils must follow when considering the Annual Report and how to deal with the Oversight Report.

Functions of Municipal Public Accounts Committee

The functions of the MPAC Committee are the following:

1. To undertake a review and analysis of the Annual Report.
2. To invite receive and consider inputs from Councillors and Portfolio Committees on the Annual Report.
3. To consider written comments received on the Annual Report from the public consultation process.

4. Conduct Public Hearing(s) to allow the local community or organs of state to make presentations on the Annual Report.
5. Receive and consider Council's Performance Audit Committee's views and comments on the annual financial statements and the performance report.
6. Prepare the Oversight Report, taking into consideration the views and inputs of the public, representatives of the Auditor General, organs of state Council's Performance Audit Committee and Councillors.

1. PUBLIC PARTICIPATION PROCESSES

After the Council meeting of 25 January 2012, and in response to the Council resolution taken at that meeting, the Makana Municipality's Annual Report for 2010/2011 was made public in terms of section 127 (2) of the MFMA and the local community was invited to submit representations and comments.

An Official notice advising where the annual reports could be viewed and inviting representation from the public was placed in the local newspapers on 2 February 2012. Copies of the annual report were placed at the Municipal administration buildings including Riebeeck East, Alicedale office and all libraries as well as the Website.

Copies of the report were forwarded to the following stakeholders as required by the MFMA:

- Provincial Treasury(No comment received),
- Provincial Department of Local Government and Traditional Affairs,(Comment received) and
- To the Auditor –General (No comment received)

A consultative meeting for the general public was held on Tuesday 27 March 2012 in the Council Chamber, Town Hall, Grahamstown. No further input was received.

2. RESPONSE RECEIVED:

So far, input in response to the advertising process has been received from:

Provincial Department of Local Government and Traditional Affairs and these comments have been incorporated in the updated Annual report.

3. RESPONSE PROVIDED BY ACCOUNTING OFFICER

1. The comments of the Provincial Department of Local Government and Traditional Affairs were incorporated in the Annual Report.
2. The input of MPAC was also incorporated in the Annual Report.

4. SUMMARY OF RESERVATIONS AND RECOMMENDATIONS OF MPAC COMMITTEE.

The Municipal Public Accounts Committee made the following recommendations:

- 1) Numerous errors in spelling, grammar, formatting and duplication of sections were identified for correction. It is recommended that in future, the Council consider hiring a professional editor to ensure the highest possible standards of reporting. The time spent making such corrections detracted from more thoughtful deliberations on the content of the Annual Report.
- 2) All references to actions and decisions made after the end of the financial year must be removed, in order to reflect accurately the state of the Municipality as of 30 June 2011.
- 3) In future, greater efforts should be made to ensure meaningful public participation in the review of the Annual Report. The long and technical nature of the document should be taken into consideration and efforts made to simplify engagement.
- 4) A more active role in the review of the Annual Report should be played by all Councillors. The MFMA Circular No. 32 recommends especially that ward councillors should consult their constituents and Ward Committees.
- 5) Where relevant, means should be found to engage government departments about those activities which have an impact on local government service delivery.
- 6) The template provided by the Provincial Department of Local Government and Traditional Affairs for reporting was found to be confusing in many instances. Numerous recommendations from the Committee for clearer presentation of information could not be implemented due to the requirement to conform to the template. In particular, the Key Performance Areas could be more clearly laid out.
- 7) It is noted with appreciation that the Internal Audit function was introduced during the financial year. It is viewed as having the potential for alleviating many shortcomings.
- 8) During the year, the Municipality produced a highly consultative Turn Around Strategy which gave useful guidance to establishing priorities.
- 9) The use of out-dated statistics when reporting on the socio-economic state of the Municipality is noted with concern. Although more current statistics might not be available, readers need to be advised to use such information with caution. It is the hope that future Annual reports would include 2010 Census data.
- 10) The failure to significantly improve the Information Technology capacity of the Municipality in the 2010-11 financial year was noted with concern.
- 11) The need for a responsive and effective Customer Care function was not addressed as quickly as it should have been.
- 12) The cascading downward of the Performance Management System met its modest targets. However, the process is reported to be moving slowly and meeting with resistance from some middle managers. Any delays in rolling out the PMS contribute to

the slow pace of service delivery. Rigorous efforts should be made to see that an effective system comes into operation as a matter of urgency.

- 13) The Municipality suffers from an over-reliance on its financial computer soft-ware service provider which has consistently failed to meet our needs for technical support, which in turn hampers our capacity to produce timely financial reports.
- 14) While none of the findings of the Auditor General are disputed, the public needs to have some of the issues that have been raised explained in simpler terms and language. It is noted that our capacity to fully comply with the MFMA reporting requirements does not yet meet the required standards, but this does not mean that the Municipality has been accused of fraud, corruption or other illegal activities.
- 15) In future a statement should be developed that indicates areas of financial stability and improvement during the course of the financial year. This is to include a Variance Analysis.
- 16) The structure of the Annual Report did not allow for adequate reporting on the seriousness of challenges facing the Municipality on matters e.g. illegal dumping and the aging fleet.
- 17) The completion of meeting the recommendations of the CAPS Report during the financial year was noted with appreciation, as it indicates our preparedness to deal with issues of fire safety.
- 18) It is noted with great concern that the South African National Defence Force makes considerable use of our aerodrome without any formal arrangements for due compensation. This needs to be rectified.
- 19) A detailed analysis to compare the 2010-2011 Audit Action Plan with the 2009-2010 Audit Action Plan assisted with the assessment on how much progress was made during the year under review.
- 20) The Section 46 Preliminary Assessment Sheet from the Provincial Department of Local Government and Traditional Affairs indicated serious short comings in the inclusion of required documents and reports in the Makana Annual Report. These items need to be added in order for the report to be complete.
- 21) The MPAC agrees with the recommendations and findings of the Audit Committee, insofar as they relate to the 2010-2011 Financial year, but has not considered issues which have arisen since then.
- 22) The SDBIP and other reporting tools need to be written in much clearer language and formatting in order to assist the Council and the public to assess progress. For example, the use of a % sign with no figures attached when referring the Key Performance Indicators is not specific and is confusing.
- 23) The key focus areas of the report from the Auditor General's office were on Supply Chain Management and Human Resources, which have been long-standing concerns.

While several issues remain to be finally resolved, it is noted that headway is being made in these sectors.

- 24) Many of the issues highlighted in the AG's report are long-standing and systemic. This means that serious rigour and dedication must be applied to resolving matters at their source.
- 25) Challenges are too often tackled at a superficial level. Issues such as staff vacancies, inadequate skills for jobs, absenteeism, weak control systems and poor record-keeping should be addressed as a matter of urgency.
- 26) Slow and inadequate reporting from senior managers is a contributing factor in producing poor audit results. Monitoring of such behaviour should form a central part of the Municipality's performance management system.
- 27) On-going communication between the Municipal Manager and CFO with the AG's office is necessary, as standards are steadily being raised to bring Municipalities into line with the requirements of the MFMA and international best practices. It is important to keep abreast of what is expected at all times.

5. RESOLUTION

That Council approve the 2010/2011 Annual report with Reservations, subject to all of the corrections recommended from its deliberations being implemented, as well as the inclusion of the items required from the Section 46 Preliminary Assessment Sheet from the Provincial Department of Local Government and Traditional Affairs