



102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

ENQ: TV MONGOATO

EC441 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) 2011/2012 REPORT

**PRESENTED TO THE
SPECIAL COUNCIL
MEETING ON
26 MARCH 2013**

Contents

1. INTRODUCTION	2
2. LEGISLATIVE MANDATE.....	3
3. THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ACTIVITIES	3
4. COMMENTS ON THE 2011/2012 ANNUAL REPORT	5
4.1 Municipal Finance Management Act.....	5
4.2 Division of Revenue Act	6
4.3 Municipal Systems Act	7
4.4 Other Findings	7
5. RESERVATIONS.....	8
6. RECOMMENDATIONS.....	9

1. INTRODUCTION

The 2011/2012 Annual Report for the Matatiele Local Municipality (EC441) was tabled at the Special Council meeting held on the 29th of January 2013 in terms of section 127(2) of the Local Government: Municipal Finance Management Act (L.G.MFMA) No. 56 of 2003.

The purpose of the Municipality's Annual Report is to:-

- 1) Provide a record of the activities of the municipality in the current year under review.
- 2) Provide a report on performance in service delivery relative to the Budget.
- 3) Provide information that supports the revenue and expenditure Decisions made.
- 4) Promote accountability to the local community for decisions made.

The Oversight Report is the final major step in the annual reporting process of a municipality. The oversight report is separate from the Annual Report.

The Annual Report is submitted to the council by the Mayor and is part of the process for discharging responsibility by the Executive and Administration for their performance in achieving objectives and goals set by the Municipality in the relevant financial year.

The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the Municipal Council to the community disclosing the level of success or otherwise obtained with meeting the priority needs and stated desires of the community as contained in the IDP.

2. LEGISLATIVE MANDATE

Section 129 (1) of the Municipal Finance Management Act (Act No 56 of 2003) states that the Council of the Municipality must consider the Annual Report of the Municipality and by no later than two months From the date on which the Annual Report was tabled in the Council adopt an Oversight Report containing the Council's comments on the Annual Report which must include a statement whether the Council has:

1. Approved the Annual Report with or without reservations;
2. Rejected the Annual Report; or
3. Has referred the Annual Report back for revision on those components that can be resolved.

3. THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) ACTIVITIES

The MPAC was appointed on the 1st July 2011 at the special council meeting in terms of resolution number CR26/07/2011.

During the year under review, the Honorable Cllr N.Nkukhu was moved to the Budget and Treasury Standing Committee.

The committee is guided by the Terms of Reference developed by the National Treasury in consultation with South African Local Government Association (SALGA) and Cooperative Governance and Traditional Affairs (CoGTA). The Terms of Reference were subsequently adopted by Matatiele Municipal Council on the 11th of November 2011.

MPAC consists of 9 members as tabled below:

- (1) Cllr. T.V.Mongoato (Chairperson)
- (2) Cllr. J.Z.Munyu
- (3) Cllr. N.B.Nkomo
- (4) Cllr. N.N.Ndukwana
- (5) Cllr. R.T.Mnika
- (6) Cllr. S.Baba
- (7) Cllr. S.Mavuka
- (8) Cllr. V.M.Mlandu
- (9) Cllr. L.D.Shemane

The committee has since held the following meetings and the minutes are attached as Annexure A for submission to this respectful Council for consideration:

DATE	MATTERS CONSIDERED
26 August 2011	<ul style="list-style-type: none"> • Terms of Reference • Developed the Committee Works Programme
29 September 2011	<ul style="list-style-type: none"> • Follow up on Issues Raised by the Auditor General (2010/2011 Annual Report) • Consideration of the National Treasury Terms of Reference for the MPAC Committee
28 October 2011	<ul style="list-style-type: none"> • Submission and presentation of MPAC Report to Council
30 November 2011	<ul style="list-style-type: none"> • Consideration of 1st and 2nd Quarter Reports • Dedicated staff for the Committee and Budget • Identification of projects to be visited by members • Report on budget utilization on the travelling of both the Mayor and Speaker • The Employment Contract of the Municipal Manager (MM) • Jazz Festival budget
12 December 2011	<ul style="list-style-type: none"> • Considered Responses from Management on issues raised by the Auditor General on the 2010/2011 Annual report • 2011/2012 Quarter 1 and 2011/2012 Quarter 2 Reports
12 March 2012	<ul style="list-style-type: none"> • Consideration of 2nd quarter reports and mid-year assessment report • Consideration of the 2010/2011 annual report • Consideration of the Audit report

	<ul style="list-style-type: none"> • Outreach report
13 June 2012	<ul style="list-style-type: none"> • Report on the findings of the outreach • Progress on the Action Plan on Annual Report 2010/2011
20 June 2012	
18 February 2013	<ul style="list-style-type: none"> • Consideration of the 2011 /2012 Annual Report
22 February 2013	
19 March 2013	

Table 1: MPAC meetings held in 2011/12 financial year and the meetings held in 2012/2013 financial year to review the 2011 /12 Annual Report.

4. COMMENTS ON THE 2011/2012 ANNUAL REPORT

The legislative requirements of the various relevant acts together with the oversight committee's opinion on compliance are set out hereunder:

4.1 Municipal Finance Management Act

Section 122(3) of the L.G.MFMA No 56 of 2003 requires that the annual financial statements and the consolidated annual financial statements must be prepared in accordance with Generally Recognized Accounting Practices (GRAP). The AG has expressed an opinion in this regard confirming the compliance with the said act. However there is a restatement of note 47 that was disclosed relating to the year ended 30 June 2011. The Audit Committee report as attached to the annual report does reflect the matters restated by the AG but do not express an opinion.

The Municipal Finance Management Act No. 56 2003 s.121 (3) (d) requires that the Auditor General's report be included in the annual report. The Auditor General's report is included and does form part of the annual report.

The Municipal Finance Management Act No.56 of 2003 s.121 (3) (g) requires disclosure of corrective action taken or to be taken in response to issues raised in the audit reports. This is complied with and the management responses have been discussed in this regard.

4.2 Division of Revenue Act

The Division of Revenue Act requires that the Annual Report must disclose:

1. Details of conditional grants received from national and provincial spheres;
2. Details of conditional grants received from other municipalities; and
3. Details of grants made to any organs of state.

These are disclosed under notes 26 to the financial statements.

The Division of Revenue Act requires that the Annual Report must disclose the extent to which the conditions of grants have been met. This is disclosed also under notes 28 and 29 to the financial statements.

The Division of Revenue Act requires that Information relating to outstanding debtors and creditors of the Municipality be included in the annual report as well as information relating to the benefits paid to Councillors, Managers and officials. This is part of the GRAP compliant financial statements. This is disclosed under notes 29 and 30 of the financial statements.

4.3 Municipal Systems Act

The Municipal Systems Act, No. 32 of 2000 s. 46(1) and (2) requires that a performance report and performance targets be included in the annual report. A chapter highlighting functions performed and services delivered is included in the annual report. The AG report and the Audit Committee report do raise the continuous limitations in regard to the performance indicators being:

1. Not well defined, and are said 40% of the performance indicators being not well defined.
2. Performance targets not being specific, measurable or time bound as required by the national treasury framework for managing programme performance information (FMPPI).
3. Reported indicators and targets not consistent with planned indicators and targets.
4. Reported performance not valid, accurate or complete as indicated on AG's report.

The annual performance report for the year under review does not include a comparison with the targets set and performances of the previous financial year as required by section 46(1) (b) of the MSA.

4.4 Other Findings

Management did not perform an adequate detailed review on the financial statements and the annual performance report prior to their submission for audit. This resulted in misstatements that needed to be corrected. This is also evidenced by chapter 5 of the annual report where 90% of the report was for the year 2010/11 financial year. The increase by (6m in 2010/11 and 11m in 2011/12) 54% of the MIG unspent funds is a point for concern.

The explanation given by Management with regards to the unspent MIG funds was that the carryover of six million from 2010/11 Financial Year was an interest which was mistakenly accounted for in the Capital MIG Fund and the balance of 5m is money that was committed for 2011/2012 but could not be fully utilized.

The notice in the annual report of the municipality being reported as grade 4 needs a further clarity and evidence of section 12 notices provided as to satisfy the council. See chapter 4 page 2 of the annual report.

Noting the regression on the section 56 managers that the key critical posts are not filled, 50% vacancy rate.

5. RESERVATIONS

NONE

6. RECOMMENDATIONS

The oversight committee recommends that:

1. Council having fully considered the Annual Report of the Matatiele Local Municipality and representations thereon adopts the oversight report; and that council adopts the annual report without reservations.
2. The accounting officer complies with section 127(2) (b) and 127(3) of the MFMA.
3. A follow up be and remedial action be made on the funded LED projects that are not taking off or where progress is very slow.
4. The executive committee and each portfolio heads should strengthen their oversight role on management and the Mayor to strengthen oversight on the accounting officer.
5. Critical posts are filled as this poses a challenge to the institution to function with 50% vacancy rate.
6. Confirmation of the municipal grading is provided.
7. Council to look into the strategic partner that will carry out the re-counting of the Matatiele population as the current stats report is not satisfying.
8. Capacity in the infrastructure department be considered as to eliminate the issue of the under spending of the MIG funds.
9. Ratios on Reports: the format on Ratios of Assets and Liabilities should be clearly outlined on the Annual Financial Statements


T.V.MONGOATO
CHAIRPERSON
OVERSIGHT COMMITTEE (MPAC)

26/03/2013
DATE