

ITEM 9254

OVERSIGHT REPORT ON THE ANNUAL REPORT SUBMITTED IN TERMS OF SECTION 129(1) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, ACT 56 OF 2003 (MFMA), FOR THE 2012/2013 FINANCIAL YEAR

This report is submitted directly to Council from the Office of the Municipal Manager.

PURPOSE

To submit to Council the Oversight report on the Annual Report for the 2012/2013 Financial Year.

IDP STRATEGY AND OBJECTIVES

DEVELOPMENT STRATEGY 1: GOOD GOVERNANCE	
Goal	Objective
1. Democratic, responsible, transparent, objective and equitable municipal governance	<ul style="list-style-type: none"> • Effective and efficient municipal structure that is resourced to fulfil roles and responsibilities • Implement "Batho Pele" principles • Effective and efficient community participation mechanisms and processes
2. Compliance with relevant legislation and policies	<ul style="list-style-type: none"> • Preparation of credible and implementable Integrated Development Plan • Compilation of "SMART" Organisational Performance Management • Records Management • Occupational health and safety processes and procedures in place • Develop required policies, procedures and registers • Legal vetting of contracts • Internal and External Audit

DEVELOPMENT STRATEGY 5: SOUND FINANCIAL MANAGEMENT	
Goal	Objective
1. Compliance with financial legislation and policies	<ul style="list-style-type: none"> • Ensure GRAP compliance • Ongoing review of SCM policies and procedures • Ongoing internal and external capacity building in Supply Chain Management and Budgeting Models
2. Sustainable Financial Management	<ul style="list-style-type: none"> • Improve internal communication on budget matters • Maintenance of fixed asset register • Credit control and debt collection • Compliant internal controls • Compliant grant reporting • Obtain targeted cash-backed statutory reserves • Development and appropriate training and assistance to employees • Identify and redress water and electricity tampering

BACKGROUND

Chapter Twelve of the Local Government Municipal Finance Management Act (MFMA), Act 56 of 2003, section 129(1) requires 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 the 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:

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

The Draft Annual Report for 2012/2013 (**DMS 927626**) served before Council on 28 January 2014, RPT155483 in the following manner for approval. The draft copy excludes photographs, diagrams, coloured tables, plans etc. to reduce copy costs as the document is replicated in black and white. A glossy version hereof will be circulated once adopted by Council.

It was recorded that the Municipality's activities on the Annual Report addressed the following sections of Section 121(3) (a) to (k) as follows:

- a. The Annual Financial Statements for **2012/2013**. These statements were submitted by 30 August 2013 as prescribed in section 126 (1) (a) of the Municipal Finance Management Act, Act 56 of 2003.
- b. Auditor-General's Report on the Financial Statements is included with the Financials. This report, which was delivered on time 30 November 2013, as prescribed by Section 126 (3) (b) of the MFMA, it is an **unqualified (clean audit)** report.
- c. The detailed Annual Performance Report for 2012/2013.
- d. Auditor's Report on Performance Management Report . Included in Auditor-General's Report on the Financial Statements.
- e. The following is the assessment by the Accounting Officer of any arrears on municipal taxes and service charges.

The overall payment rate for the past **seven years** is illustrated below:

YEAR	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Payment Rate	101.81%	98.74%	98.56%	98.67%	100.11%	99.49%	99.17%

Over the year this Municipality has done very well with the collection of its revenue. The Finance department is very fair, strict but consistent when it comes to the implementation of the approved Debt and Credit Control Bylaws, hence the good results.

Council subsequently resolved at its meeting held on 28 January 2014, CR 9084 (RPT 155483) as follows:

- "1. *the Draft Annual Report for 2012/2013 (**DMS 927626 circulated under separate cover**) containing all provisions of Section 121(3) of the Municipal Finance Management Act 2003 (Act 56 of 2003), be approved and arrangements be made for the report to be printed in a glossy format following the approval by the Auditor General; and*

2 the draft Annual Report for 2012/2013 be forwarded to Municipal Public Accounts Committee for the formulation of the oversight reporting in terms of Section 129 of the Municipal Finance Management Act, 2003 (Act 56 of 2003)."

DISCUSSION

The Municipal Public Accounts Committee (MPAC) members were reaffirmed at a meeting held on 29 November 2011, Council Resolution 7712 to fulfil the role of oversight as follows:

ANC	IFP	DA	NFP
<i>K Sukreben N Cele L M Danisa A S Dawood D J Xulu S S Mthiyane R Zikhali</i>	<i>N T Thusi M R Mkhize</i>	<i>A Viljoen</i>	<i>L Sabelo</i>

Councillor A S Dawood has been nominated to serve as Chairperson and Councillor A Viljoen was nominated to serve as the Deputy Chairperson of the MPA.

The Municipal Public Accounts Committee has discussed and considered the slightly amended version of the Draft Annual Report on 7 March **2104 (DMS 927626)**. This having been amended following approval of the Draft version by Council on 28 January 2014. The Minutes of the sixth meeting of the Municipal Public Accounts Committee (**RPT 155836**) whereby the Annual Report was considered is **attached as Annexure "A"** for noting by Council.

The Chairperson, Councillor A S Dawood, welcomed everyone to the meeting. Although there was no quorum, the Chairperson allowed those present to informally discuss matters of concern to the Annual Report for the 2012/2013 financial year. The recommendations by the MPAC in terms of their oversight role are reflected in the attached minutes. The report back, minutes as well as recommendations by the Municipal Public Accounts Committee in consideration of the Annual Report for the 2012/2013 financial year were reported to Council on 27 March 2014, Council Resolution 9228 (**RPT 155844**) and the recommendations approved by Council.

Although the municipality received an ~~un~~qualified audit+ opinion by the Office of the Auditor General Matters, emphasis of matters for noting in future relates to the following:

- Restatement of corresponding figures for June 2012 as result of error discovered in June 2013,
- Material Losses relating to water (R20,37 million) as result of bulk water metering of traditional authorities,
- Material losses relating to electricity (85,48 million) as result of theft, incorrect metering and aging network without sufficient refurbishment and maintenance,
- Unauthorized expenditure on overspent on depreciation and amortisation by R239,10 million due to depreciation charge not being budgeted for against rates
- Material under spending of municipal infrastructure grant, and
- 30% of planned performance targets (16 of the 53) were not achieved due to under spending in the municipal infrastructure grant.

COMMENTS OF THE MUNICIPAL MANAGER

The matters expressed by the Office of the Auditor General as reflected in the Annual report are receiving priority at present to ensure continuous improvement going forward.

RECOMMENDED THAT:

the Oversight Report by the Municipal Public Accounts Committee (MPAC) on the Annual Report submitted in terms of section 129(1) of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) for the 2012/2013 Financial year, be noted and approved by Council.

ITEM

MINUTES OF THE SIXTH MEETING OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE, HELD ON FRIDAY 7 MARCH 2014 AT 11:00 IN THE EXECUTIVE COMMITTEE ROOM, CIVIC CENTRE, RICHARDS BAY

PRESENT : MEMBERS

Clr A S Dawood	-	Chairperson
Clr A Viljoen	-	Deputy Chairperson
Clr R M Zikhali	-	Member

OFFICIALS

Mr	M Oliphant	-	Deputy Municipal Manager: Community Services
Mr	E L Khoza	-	Deputy Municipal Manager: City Development
Mrs	A P Madlala	-	Head of Section: Income
Mrs	Z Mbolekwa-Pupuma	-	Acting Deputy Municipal Manager: Infrastructure and Technical Services
Mr	D Myburgh	-	Manager: Performance Management
Mr	B Khumalo	-	Manager: Information and Communication Technology
Ms	N Mthembu	-	Manager: Internal Audit
Mr	T Zondi	-	Deputy Manager: Customer Services
Mrs	S Adonis	-	Enterprise Risk Officer
Mrs	S A Pienaar	-	Manager: Secretariat Services

Councillor R M Zikhali opened the meeting with prayer.

ANNEXURE A

ITEM	RPT NO		PAGE
	*	Welcome	
	*	Attendance and Apologies	
	*	Declaration of Interest	
36.		Annual report submitted in terms of Section 121 (1) of the Municipal Finance Management Act 200 (MFMA) for the 2012/2013 Financial Year.	

WELCOME

The Chairperson, Councillor A S Dawood, welcomed everyone to the meeting. Although there was no quorum, the Chairperson allowed those present to informally discuss matters of concern. The Chairperson expressed his appreciation to officials who have made the effort to attend the MPAC meeting but voiced his dissatisfaction with the lack of attendance by Councillors. The matter has been taken up with the Municipal Chief Whip Councillor M Lourens who has also undertaken to address councillors individually regarding their continued participation in MPAC.

LEAVE OF ABSENCE AND APOLOGIES

This Meeting

COUNCILLORS

Clr L M Danisa	-	Member
Clr N Thusi	-	Member

OFFICIALS

Dr N J Sibeko	-	Municipal Manager
Mr M Kunene	-	Chief Financial Officer
Mrs M Ndlovu	-	Deputy Municipal Manager: Corporate Services
Mr T Gopane	-	Acting Deputy Municipal Manager: Infrastructure and Technical Services

NO APOLOGIES

COUNCILLORS

Clr N Cele	-	Member
Clr M R Mkhize	-	Member
Clr L Sabela	-	Member
Clr K Sukreben	-	Member
Clr S S Mthiyane	-	Member
Clr D J Xulu	-	Member

OFFICIALS

Mr V Mathabela	-	Manager: Communications
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DECLARATION OF INTEREST

None

OFFICIAL ANNOUNCEMENTS

None

ANNEXURE A

MUNICIPAL MANAGER

M11M155483

MPAC (36) : 07.03.2014
(3/5/3/23)

ITEM 36

ANNUAL REPORT SUBMITTED IN TERMS OF SECTION 121 (1) OF THE MUNICIPAL FINANCE MANAGEMENT ACT 200 (MFMA) FOR THE 2012/2013 FINANCIAL YEAR.

DISCUSSION

In opening the discussion Councillor Viljoen commented on the fact that MPAC members were willing to attend training in Durban, yet for two days (5 and 7 March 2014) neither meeting had a quorum present.

It was noted that a slightly amended version of the Draft Annual Report served before the MPAC on 7 March 2104 (DMS 927626). This having been amended following approval of the Draft version by Council on 28 January 2014.

With regard to the Annual Report, Councillor Viljoen indicated that the new logo still requires refinement as the eagle represented in the logo is incorrect (being an American Bald Eagle and not a Fish Eagle). Furthermore the view was held that the new logo is not relevant to year under review having only recently been approved by Council and that the original Fish Eagle logo should be used in this instance for the 2012/2013 Annual Report. Councillor present agreed.

Further concern was expressed regarding the many typographical and grammatical errors throughout the document and that intensive proofreading is required. Concern was also raised regarding the vast number of previous yearsqAnnual Reports that have been left in boxes and have never been distributed. This is a serious waste of resources and efforts must be made to ensure that these reports are made available to the relevant target audiences as well as the community at large.

Mr D Myburgh, Manager: Performance Audit tabled an amended Foreword for the Mayor. Figures that differed in terms of the original Chapter 1 submission were interrogated and Mr Myburgh clarified all uncertainties regarding service delivery targets. Due to the difference in information between the two versions, the Chairperson expressed his concern with the fact that it is clear that departments are not correlating content with the relevant role-players.

In closing Councillor Viljoen also commented on the decrease in electricity losses throughout the City with the exception of eSikhaleni, Empangeni and eNseleni.

RESOLVED THAT:

it be reported to Council and thereafter to the Department of Co-operative Governance and Traditional Affairs in terms of Section 129 of the Municipal Finance Management Act, that the Municipal Public Accounts Committee of the uMhlathuze Municipality has reviewed and approved the Annual Report for 2012/2013 and that the following matters be addressed:

1. the new Logo as approved by Council on 28 January 2014 not be affixed to the Annual Report for 2012/2013 due to the fact that the Eagle represented in the logo is the American Bald Eagle and not the Fish Eagle endemic to the region;
2. the previously approved logo be reflected on the Cover Page due to the fact that the year under review in the Annual Report relates to 2012/2013 when the former logo was still in use;

ANNEXURE A

3. due to the many typographical and grammatical errors throughout the document intensive proofreading must be effected; and
4. the amended tabled Chapter One containing the Mayor's Foreword (**DMS 927626 – attached**) be accepted and included in the Final version of the Annual Report for the 2012/2013 Financial Year.

THE MEETING TERMINATED AT 12:00.

DATE

CHAIRPERSON

EXTRACT FROM COUNCIL MINUTES

MINUTES OF THE ONE HUNDRED AND TWENTIETH ORDINARY MEETING OF THE COUNCIL OF THE uMHLATHUZE MUNICIPALITY, HELD ON TUESDAY, 22 APRIL 2014 AT 17:00 IN THE COUNCIL CHAMBERS (B111), CIVIC CENTRE

PRESENT

Clr M S Mngayi (Speaker)	Clr N M Madondo	Clr D A Nxumalo
Clr N V Gumbi (Deputy Mayor)	Clr P T Mbatha	Clr E A Palmer
Clr M Lourens (Municipal Chief Whip)	Clr N C Mbanjwa	Clr L B Shangase
Clr C M Botha	Clr P M Mathenjwa	Clr M Sookroo
Clr F G Bosman	Clr M M Mbokazi	Clr K Sukreben
Clr J N Cele	Clr D J Merryweather	Clr N T Thusi
Clr N R Cele	Clr G M Mkize	Clr A Viljoen
Clr L M Danisa	Clr B C Mthembu	Clr S B Xaba
Clr A S Dawood	Clr M W Mthenjana	Clr D J Xulu
Clr E J B Dube	Clr S S Mthiyane	Clr R M Zikhali
Clr M Khoza	Clr D J Ndimande	Clr S H Zulu
Clr M R Khumalo	Clr K E Ndlovu	
Clr C S Kweyama	Clr P M Ntanzu	Inkosi M M Mkhwanazi

OFFICIALS

Dr N J Sibeko	- Municipal Manager
Mr E L Khoza	- Deputy Municipal Manager: City Development
Mr M Kunene	- Chief Financial Officer
Mr M Oliphant	- Deputy Municipal Manager: Community Servicers
Mr T Gopane	- Acting Deputy Municipal Manager: Infrastructure and Technical Services
Ms Z Dladla	- Head of Section: Public Health and Safety
Mr J Naidoo	- Head of Section: Transport, Road and Stormwater Systems
Mr B Nzuza	- Head of Section: Human Resources
Mr M V Nhleko	- Acting Head of Section: Water and Sanitation
Mrs S Pienaar	- Manager: Secretariat Services
Mrs R Ramlall	- Senior Administrative Officer
Miss F Phahla	- Administrative Officer

PRAYER

Clr M Sookroo opened the meeting in prayer.

RESOLUTION EXTRACTED FROM COUNCIL MINUTES

MUNICIPAL MANAGER
MM01M156026RPT
U M C : 22.04.2014
(3/5/3/23)

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DISCUSSION

The Committee raised concerns regarding the non-attendance of Councillors at the Municipal Public Accounts Committee as well as other Committees of Council. It was suggested that the Councillor representation be reviewed as certain Councillors have shown a lack of interest in the respective Portfolio Committee resulting in absenteeism. It was pointed out that changing representation may still not resolve the problem and rather disciplinary measures need to be exercised to ensure that Councillors are upholding their obligations to the communities they serve.

The Speaker informed Council that the responsibility of reporting absenteeism rests with the Chairpersons of the Committees in which case the matter should be reported regularly to his office. It bears noting that no reports have been submitted to date.

The Committee further brought to the attention of the Municipal Manager the lack of proper departmental representation at meetings in which questions raised are not addressed as officials are not in attendance.

RESOLVED THAT:

the Oversight Report by the Municipal Public Accounts Committee (MPAC) on the Annual Report submitted in terms of section 129(1) of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) for the 2012/2013 Financial year, be noted and approved by Council.

THE MEETING WHICH WAS CLOSED IN PRAYER BY CLR N C MBANJWA TERMINATED AT 18:00.

CHAIRMAN

DATE