



MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

OVERSIGHT REPORT 2013 / 2014



VISION

A participatory municipality that turns
Prevailing challenges into opportunities
for growth and development through
Optimal utilization of available resources.

MISSION

To ensure delivery of quality services
through community participation and
creation of enabling environment for economic growth and job
creation.

TABLE OF CONTENTS

1. INTRODUCTION.....	4
2. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROGRAMME OF ACTION.....	4
3. MEETING WITH AUDITOR - GENERAL.....	5
4. MEETING WITH MANAGEMENT.....	5
5. ISSUES RAISED TO THE MANAGEMENT BY THE MPAC ON THE AUDIT REPORT OF 2013 / 2014.	6
6. DRAFT ANNUAL REPORT PUBLIC CONSULTATION MEETING	8
7. CLUSTERS PUBLIC CONSULTATION MEETINGS PROGRESS.....	8
8. ISSUES OBSERVED FROM THE REPORT	9
8.1 FINANCIAL MATTERS.....	9
8.2 RECOMMENDATIONS.....	9
8.3 NON – FINANCIAL MATTERS.....	10
9. OBSERVATIONS.....	10
10. RECOMMENDATIONS.....	10
11. CONCLUSION.....	11

MPAC OVERSIGHT REPORT ON THE 2013/2014 ANNUAL REPORT

1. INTRODUCTION

The council of Blouberg local municipality has adopted the draft Annual report 2013/2014 at a council meeting held on the 31 January 2015 at Alldays community centre. As part of the committee programme for stakeholder and public consultation on the draft Annual report, the committee developed the attached program me of action. The meetings of the clusters were all successfully held.



2. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE STAKEHOLDERS AND PUBLIC CONSULTATION PROGRAMME ON THE DRAFT ANNUAL REPORT 2013/2014

ACTIVITY	DATE	VENUE	TIME	MAIN CONSIDERATION
MPAC Meeting AG	11 February 2015	Municipal Boardroom	10h00	Unpacking of the Draft Annual Report
MPAC Meeting	23 February 2015	Municipal Boardroom	10h00	Formulation of questions to Management
MPAC Meeting Management	25 February 2015	Municipal Boardroom	10h00	Unpacking of the Draft Annual Report
MPAC Meeting	03 March 2015	Municipal Boardroom	10h00	Clarification of issues on Draft

Management				Annual Report
MPAC Public Hearing (Cluster A)	16 March 2015 04,05,06,07,09,14 & 21	My – Darling Community Hall	10h00	Solicit inputs from Stakeholders and Community
MPAC Public Hearing (Cluster B)	17March 2015 01,02,03,08,10,11, 12 & 19	Raweshi MPCC	10h00	Solicit inputs from Stakeholders and Community
MPAC Public Hearing (Cluster C)	18 March 2015 13,15,16,17,18 & 20	Kromhoek Community Hall	10h00	Solicit inputs from Stakeholders and Community
MPAC Meeting	23 March 2015	Municipal Boardroom	10h00	Consolidation of the final report to Council
Council Meeting	31 March 2015	Venue to be decided	12h00	Adoption of the Report

3. MEETING WITH AUDITOR- GENERAL

The overall objective of the meeting was to allow the Auditor –General s office to unpack the audit report and to guide the committee on the oversight role.

The meeting was attended by the members of MPAC and the support staff.

4. MEETING WITH THE MANAGEMENT

The aim of the meeting was to allow the management to unpack the draft annual report and to allow it to answer some of the issues as raised in the Audit report. At the meeting management was required to also answer the issues and the questions raised by the committee. Management was able to respond to most of the issues raised.

5. ISSUES RAISED TO THE MANAGEMENT BY THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE AUDIT REPORT FOR THE FINANCIAL STATEMENTS OF 2013/2014.

NO	QUESTIONS RAISED BY MPAC	PARAGRAPH	MANAGEMENT RESPONSE
1.	What has led to the irregular expenditure amounting to R775 361? Is there any documentation that justified the irregular expenditure?	8 (Audit report)	i. The three quotations were not sourced for the appointment of lawyers (professional fee) due to the fact that the Municipality wanted an expert.
2.	Why is the municipality incurring the irregular and unauthorized expenditure in every audit whereas it is having the turnaround strategy and the issue is recurring? Does the municipality have skilful personnel or not?	8 & 9 (Audit report)	ii. The reasons for having incurred UIF differed from year to year since the interpretations by auditors on SCM laws and regulation differ.
3.	What caused the unauthorized expenditure incurred by the municipality amounting to R3 667 122 and who are the people responsible for this unauthorized expenditure?	9 (Audit report)	iii. Over spend on bulks purchases vote due to increase in tariffs in terms of NEERSA and new connections which were not planned to be energized for the year.
4.	What caused the fruitless and wasteful expenditure of an amount of R115 444?	10(Audit report)	iv. The fruitless and wasteful expenditure accrued because the Post Office was on strike for a long time and the matter was unavoidable.
5.	What caused the material losses of R5 761 119 from the electricity distribution business? Is there any research in terms of material losses?	11 (Audit report)	v. Distribution losses were due to illegal connections and the use of free flow meters during routine maintenance. vi. A service provider is waiting to be paid appointed to assist the Municipality.
6.	Why did the municipality under spent on the conditional grant (MIG) received on basic service delivery and infrastructure development programme to the amount of R9 779 375?	13 (Audit report)	i. Some projects were complete but discovered that the contractor did not claim all the money. ii. If there is no progress on the projects,

			<p>no payment will be made to the Contractor.</p> <p>iii. All projects that are complete has to be part of municipal assets register to comply with GRAP 17 of unbundling of assets, therefore, we accrued the remaining claims.</p> <p>iv. The municipality is doing well in terms of spending and will not have roll over projects during the year 2014/2015.</p>
7.	Why the annual financial statements not prepared and submitted in accordance with the requirements of section 122 of the MFMA?	26 (Audit report)	<p>i. It depends on the understanding of the Grap standards by the Auditors. E.G with the disclosure of traffic fines as per Grap 25 the method we used was guided by the 12/13 auditor's conclusion but with regard to audit under review 13/14 the auditor came up with a new method.</p>
8.	Why the expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA which led to the non compliance and the budget been exceeded?	27 (Audit report)	<p>i. Over spend on bulks purchases vote due to increase in tariffs in terms of NERSA and new connections which were not planned to be energized for the year.</p>
9.	Why the goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations as required by section 16 (a) and 17 (b) of Supply Chain Management regulations?	28 (Audit report)	<p>i. Our understanding of the said regulation is that successful bidders should complete the declaration of interest forms during the appointment, since they complete the said forms during the application for the inclusion in the database we found not necessary to complete the forms as and when we appoint them.</p> <p>ii. The understanding of the auditor's under the year reviewed differed with</p>

			the ones of previous year, because our approach was guided by the result of the previous year, because our approach by the result of the previous audit.
10.	Did you investigate to determine who was liable for the unauthorized, irregular, fruitless and wasteful expenditure incurred by the Municipality? If No Why?	34 (Audit report)	i. There was not need to investigate the UIF since the reasons were known and no one was liable.

6. DRAFT ANNUAL REPORT PUBLIC CONSULTATION MEETING

- a. Following the meetings with the Auditor General and management, the meeting with the members of the public were arranged.
- b. The meetings were arranged according to three clusters to accommodate all the 21 wards in the municipality.
- c. The traditional leaders in the form of headmen also attended the public participation meetings.
- d. The community members were transported to the meetings and catering was also provided.

7. CLUSTERS PUBLIC CONSULTATION MEETINGS PROGRESS

- a. The Cluster A meeting was held at My-Darling Community Hall on the 16 March 2015 at 10h00.
- b. Seven wards comprised the Cluster A and about **215** people attended the meeting according to the attendance register record.
- c. The meeting for Cluster B was held at Raweshi MPCC on the 17 March 2015 and eight wards were invited to attend.
- d. **267** people attended the meeting according to the attendance register records.
- e. The meeting for Cluster C was held at Kromhoek Community Hall on the 18 March 2015 and six wards were invited to attend.
- f. **310** people attended the meeting according to the attendance register records

8. ISSUES OBSERVED FROM THE REPORT

8.1 FINANACIAL MATTERS

- **PROCUREMENT-** That proper supply chain management processes were not followed in the procurement of goods and services.
- **Under budgeting-** Management spending on the services that are not budgeted for.
- **INTEREST-** The municipality failing to pay the accounts on time that incurred interests.
- **MATERIAL LOSS-** The electricity distribution not accounted for by the municipality.
- **UNDERSPENDING-** The municipality failed to spend on the MIG.
- **DISCLOSURE-** The municipality failed to disclose the non compliance with MFMA.
- **PRE DETERMINED OBJECTIVES-** The actual performance differs with the pre determined objectives for particular development priorities in the annual performance report.
- **TARGETS-** Targets not achieved should be provided with remedial action and timeframes.
- **MFMA REQUIREMENTS-** The financial statements not prepared in accordance with MFMA requirements.
- **BUDGET OVERSPENDING-** Expenditure incurred exceeded the amount budgeted for in the votes.
- **QUOTATIONS-** Three quotations not sought when procuring goods below the value of R200.000.
- **INTERNAL CONTROLS-** The controls were not in place in expenditure management, no accounting information system, adequate management and reasonable steps were not taken to prevent wasteful, fruitless, irregular and unauthorized expenditure.
- **LIABILITIES-** No adequate management and accounting and information system which accounts for liabilities.
- **LEADERSHIP-**There was no leadership provision by the Accounting Officer to : review the annual financial statements, internal controls and to monitor non compliance.

8.2 RECOMMENDATIONS

- That there should be very good reasons for deviations from Supply Chain Management processes.
- Items not budgeted for should not be procured.
- Invoices to be paid on time to avoid interest charges.
- An official dealing with electricity distribution should be appointed to avoid loss
- Skilled personnel to be appointed to avoid funds to be returned to treasury.
- All the non compliance issues are disclosed.

- The objectives should be smart
- Internal controls are put in place to prevent wasteful, fruitless and unauthorized expenditure.
- The accounting officers should thoroughly review the annual financial statements before submission to the AG.
- That the nature of the wasteful and fruitless expenditure be investigated and that action be taken against the affected officials.

8.3 NON – FINANCIAL MATTERS

- A total 50 KPIS were not achieved.
- Late appointment of contractors.
- Incomplete capital projects causing funds to be rolled over.
- Dysfunctional committees (Special focus)
- PMS was not cascaded to the lower levels of staff.

9. OBSERVATIONS

- Members of the public still did not understand the annual reporting sessions
- The questions and the issues indicate clear misunderstanding of the sessions
- Members did not ask questions relating to the report.
- The document was not given to the public on time
- The quality of the document was not good (copies not clear)

10. RECOMMENDATIONS

- That the committee be provided with office space.
- That the support staff in the committee be increased.
- That the vehicle be dedicated to MPAC for travelling.
- That members and staff be taken to training sessions.
- That PMS be cascaded to all levels of employees.
- That competent and deserving contractor is appointed.
- Those contractors are appointed on time.

- That the committee develops the programme of meeting with members of the public on quarterly basis.
- That compliance with supply chain management processes is strictly adhered.
- That the supply chain committees adjudicate on time.
- That capital projects be monitored regularly
- That the LED projects be revived.
- That the MPAC Budget be increased to allow the committee to develop the programme of meetings with members of the public on quarterly basis.

11. CONCLUSION

That Council adopts the 2013 / 2014 Annual Report based on the above mentioned MPAC Resolutions.

CLLR. NTLATLA M.W
CHAIRPERSON: MPAC

DATE