

**EXTRACT OF THE MINUTES OF THE 96<sup>TH</sup> ORDINARY MEETING HELD ON  
29 MARCH 2017**

**“8.1 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC):  
OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2015/16  
FINANCIAL YEAR**

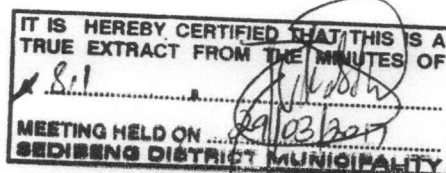
(3/P)

*Office of the Speaker*

**RESOLVED**

1. *THAT the Annual Report together with the summary version be put in public places such as libraries and website.*
2. *THAT Public meeting be conveyed by MPAC where the Annual Report will be presented to the community in enhancing Public Participation.*
3. *THAT the Committee will conduct its oversight on quarterly performance reports and present progress report before Council.*
4. *THAT all facilities that were found to be running at a loss, a report be presented to Council on the turn-around strategies.*
5. *THAT the Committee recommend to Council on Section 56 and 57 employees not to be paid bonuses as a result of performance regression in sustaining the clean audit.*
6. *THAT the content of the Settlement Agreement between SDM and Adv. Moabi Mosotho Petlane be investigated and finalized and a final report be tabled before Council.*
7. *THAT the revised list of assets owned by the Municipality be submitted to MPAC.*
8. *THAT it be noted that the resolution in (5) above be submitted to the Remuneration Committee for consideration.”*

\* \* \* \* \*



8.1 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC): OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2015/16 FINANCIAL YEAR

(3/P)

Office of the Speaker

PURPOSE

To present before Council, a draft oversight report on the Annual Report for 2015/16 Financial Year for adoption.

INTRODUCTION

The Council's oversight function is one of the cornerstones of democracy and an indicator of good governance. Oversight is a key function of governance that is aimed at ensuring that activities are implemented as planned by providing strategic direction to principal recipients, ensuring policies and procedures are met, instituting final controls (including independent audits), and following through with key recommendations. The oversight concept encompasses many aspects which include political, administrative, financial, ethical, legal and strategic elements. Therefore, the core function of oversight is to ensure that resources are used efficiently and effectively for the benefit of the country.

Legislatures exercise their oversight prerogative based upon the existence of a legal framework that guarantees their powers and independence within the political system. Oversight detects and prevents abuse, illegal and unconstitutional conduct by the executive authority and public agencies. At its core, the oversight function aims to protect the rights and liberty of citizens.

BACKGROUND

According to the Municipal Finance Management Act (MFMA) Act No. 56 of 2003 as well as Circular No. 63 of the National Treasury the committee has been mandated to perform oversight on public accounts of the municipality. The committee after interrogating and engaged with stakeholders resolved that *option (a) of the below mentioned statements as per legislation*. In line with the legal prescripts, section 129 (1) states 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 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 preparation of the draft oversight report is guided by the framework and the committee's Terms of Reference. These documents serve as guidelines in outlining the work of the committee. And also in the process of concluding this exercise a new reporting template issued by the National Treasury has been of great assistance.

### DISCUSSIONS

The Annual Report was tabled before Council on 31 January 2017 and after it was referred to MPAC for the Committee to play its oversight and submit the report after 60 days in terms of section 127/129 of the municipal finance management act. Stakeholders briefing was held on 08 of February 2017 prior the two days strategic session with the provincial stakeholders such as; COGTA, Office of the Auditor General and Provincial Treasury.

The purpose of convening these meetings was to solicit information that will be useful towards developing an oversight report. From the 01 and 02 of March 2017, the Committee had interrogated deferent documents which led to the development of the draft oversight report. Municipal Public Account Committee invited the Municipal as Accounting Officer to clarify the Committee on areas of importance and other grey matters which were not part of the scope of the Auditor General. These issues were raised for the purpose of addressing few things on the Annual Report as the outcome came as clean with no matters.

\* Attached hereto find the oversight report for 2015/16 financial year attached as Annexure  
\*\*\* "A" (pages 1-24) minutes of the previous meeting as Annexure "B" (pages 1-7) MPAC  
\*\*\* questions to Management as Annexure "C" (pages 1-20). Further Senior Management  
\*\*\* responses attached as Annexure "D" (Finance).

### FINANCIAL IMPLICATIONS

The amount of R13 420.00 was used from vote number: 4102031060210 workshop MPAC unit.

### LEGAL AND CONSTITUTIONAL IMPLICATIONS

- Constitution of the Republic of South Africa, 1996
- Local Government: Municipal Structures Act No. 117 of 1998
- Local Government: Municipal Systems Act No. 32 of 2000
- Local Government: Municipal Finance Management Act No. 56 of 2003
- Local Government: Municipal Finance Management Act No. 56 of 2003, and Circular 63.

ALIGNMENT TO COUNCIL STRATEGIES

This report is aligned to the following strategies of the municipality:

- Effective management of Council Business
- Strengthening oversight and accountability

CONCLUSION

When conducting oversight, oversight bodies should uphold the principles of cooperative governance and intergovernmental relations. Organs of state must perform their functions in a manner that does not encroach on the terrain and functional integrity of governance in another organ of state. The Local Government government have evolved and grown tremendously in 20 years of democracy. Oversight structures are continuously monitored and revised as we learn from best practice, including our own experience over the last 20 years of democracy. Public accountability and transparency are indispensable pillars of good governance which build public confidence.

RECOMMENDED

1. THAT the Annual report together with the summary version be put in public places such as libraries, and website.
2. THAT Public meeting be convened by MPAC where the Annual Report will be presented to the community in enhancing Public Participation.
3. THAT the committee will conduct its oversight on quarterly performance reports and present progress report before Council.
4. THAT all entities that were found to be running at a loss, a report be presented to the MPAC and Council on the turn-around strategies.
5. THAT the committee recommend to Council on section 57 employees not to be paid bonuses as a result of performance regression in sustaining the clean audit.
6. THAT the content of the Settlement Agreement between SDM and Adv. Moabi Mosotho Petlane be further investigated and a progress report be tabled before Council.
7. THAT all Entities to submit the Financial and the performance report to MPAC for monitoring purposes.
8. THAT the Revised list of assets owned by the Municipality to be submitted to MPAC.

**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OVERSIGHT  
REPORT 2015/2016**

**SEDIBENG DISTRICT MUNICIPALITY**

**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) MEMBERS**

• Cllr Mochawe	SJ	(ANC) -	<b>Chairperson</b>
• Cllr Hoffman	JJ	(FF+)	
• Cllr Jones	RF	(DA)	
• Cllr Machitje	LM	(EFF)	
• Cllr Mahlase	KM	(ANC)	
• Cllr Maraka	TP	(DA)	
• Cllr Masisa	LL	(AIC)	
• Cllr Mkhwanazi	O	(ANC)	
• Cllr Ntuthu	JV	(ANC)	
• Cllr Senyanya	SS	(ANC)	
• Cllr Gomba	MM	-	Speaker of the council, serving in ex-officio capacity

**FOREWORD BY CHAIRPERSON**

## FOREWORD BY CHAIRPERSON

The 2015/16 financial year marked the ending of a political term which has started since 2011 and it is important for council to consider that this report comes immediately after the office of the Audit General has release the findings on the performance of the institution. Safely to indicate a redress movement in the performance graph and I want to applaud what our sister municipality Midvaal was able to achieve a clean audit outcome for the third time in a row. These achievements serve as an indicator of the commitment of these municipalities in ensuring that there is indeed a good story to tell. Our fundamental principles of democracy are that government is responsible and account to the people.

The MPACs were established to assist council to hold the executive and municipalities or municipal entities to account, and to ensure the efficient and effective use of municipal resources. MPACs were established to help increase council and public awareness of the financial and performance issues of the municipality and its entities. MPAC therefore becomes relevant Municipal Structure to deal with financial and related management aspects of municipalities.

Functions of oversight are:

- To detect and prevent abuse, arbitrary behaviour or illegal and unconstitutional conduct on the part of the government and public agencies.
- At the core of this function is the protection of the rights and liberties of citizens.
- To hold the government to account in respect of how the taxpayers' money is used. It detects waste within the machinery of government and public agencies. Thus it can improve the efficiency, economy and effectiveness of government operations.
- To ensure that policies announced by government and authorised by Council are actually delivered. This function includes monitoring the achievement of goals set by legislation and the government's own programmes.
- To improve the transparency of government operations and enhance public trust in the government, which is itself a condition for effective policy delivery.

Functions of accountability include amongst the following:

- To enhance the integrity of public governance in order to safeguard government against corruption, nepotism, abuse of power and other forms of inappropriate behaviour.
- As an institutional arrangement, to effect democratic control.
- To improve performance, this will foster institutional learning and service delivery.
- In regard to transparency, responsiveness and answerability, to assure public confidence in government and bridge the gap between the governed and the government.
- To enable the public to judge the performance of the government by the government, giving account in public.

## LEGAL FRAMEWORK

Every committee of council its work is guided by a legislation which the MPAC is not unique amongst those council committees when performing its oversight work. The annual oversight is compiled in terms of Section 129(1) of the Municipal Finance Management Act, No. 56 of 2003 which read as follows: "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 statement whether the council-

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

The Municipal Finance Management Act (MFMA), Circular No 32, stipulate clearly the way the overall financial activities of the council should be handled and more emphasis is on the functionality of the oversight committee.

## STAKEHOLDERS

The committee convened a stakeholders meeting with Provincial Stakeholder to table the draft comments on the Annual Report for 2015/16 financial year convened on the 08<sup>th</sup> February 2016. These meetings afforded our stakeholders an opportunity to present their frustrations which were as a result of not having given the time and space to engage the municipality on things that affect them directly and finally submitted their comments. It must be noted to council that indeed these engagement are a necessity as they deepen our democracy by promoting good governance and accountability to the public.

## COMMITTEE MEETINGS

Meetings were convened in line with activity plan and intergovernmental protocol framework. For the financial year 2015/16, the committee convened (18) Eighteen meetings and two strategic sessions to develop oversight report. On the 17 March 2017, the committee convened a two (2) days strategic retreat to develop an oversight report was also convened including entities visits such as Vereeniging licensing, Vereeniging aerodrome, two schools which is Vuyo Primary school and Leboua Primary both in Sharpeville and Vanderbijlpark licensing.

## CAPACITY BUILDING

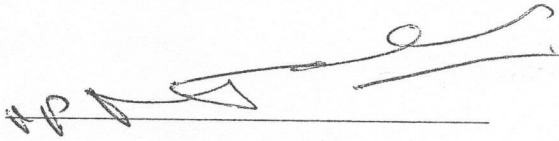
The committee was capacitated through a training which was conducted in consultation with SALGA, COGTA and our provincial Scopa. The office of the Speaker has identified skills gap through its in house skills audit and in the new financial year councilors will be placed according to their special needs and requirements.

Conclusion

The ability of this committee to deliver the oversight reports is as result of the commitment of its members. As the committee of council under the guidance of the speaker, we were able to meet our objectives and set targets even under difficult circumstances.

Finally, I wish to congratulate the commitment, the unity and contribution made by the committee members and the support the Speaker gave to this committee since from August 2016 Local Government Elections when the committee was established by Council and also the support that the new Speaker has thrown behind the committee.

Towards enhanced service delivery and financial accountability

A handwritten signature in black ink, appearing to read 'SJ Mochawe', is written over a horizontal line. The signature is stylized and cursive.

Cllr SJ Mochawe

MPAC Chairperson



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## GLOSSARY

AFS	-	Annual Financial Statements
AG	-	Auditor General
ANC	-	African National Congress
AIC	-	African Independent Congress
EFF	-	Economic Freedom Fighter
FF	-	Freedom Front Plus
APAC	-	Association of Public Accounts Committees
CFO	-	Chief Financial Officer
CAPEX	-	Capital Expenditure
CPIX	-	Consumer Price Index
DA	-	Democratic Alliance
E-PMS	-	Electronic Performance Management System
IDP	-	Integrated Development Plan
MEC	-	Member of Executive Council
MFMA	-	Municipal Finance Management Act
MPAC	-	Municipal Public Account Committee
MSA	-	Municipal Systems Act
OPEX	-	Operating Expenditure
PAC	-	Pan Africanist Congress
SDM	-	Sedibeng District Municipality

## 1. PREAMBLE

The oversight report covers the period 2015/16 financial year and started off with a broad outline of the objectives of the Municipal Public Account Committee (MPAC). The Sedibeng MPAC committee set out to achieve the following objectives;-

- There is no fraud or corruption in the administration or in Council
- There is legal compliance whenever required
- That the municipality gets value for money whenever money is spent
- That the budget and IDP is properly aligned
- That there is proper service delivery in all areas of our jurisdiction and always take into consideration the needs of the people, needs established through public participation.
- That the impact of our report will be of such a nature, that it is useful to council and that in the final analysis, the committee is able to advice the council correctly.

Methods used by the committee in preparing the oversight report included the convening of meetings where the Annual Report, IDP, SDBIP and all supporting documentation were scrutinized.

Questions were formulated on specific areas of concern for the management to provide responses and present them back to the members of MPAC. Management were invited on the 22<sup>nd</sup> March 2017 to provide responses and physical evidence in a meeting held at Vereeniging Roshnee. All these engagements have assisted the committee in developing the final draft oversight report to be tabled to council.

Accordingly the oversight report will cover: The Integrated Development Plan, Annual Report; Service Tariffs and Auditor General's Report, Audit committee report, policies of council according to the checklist used developed by National and Provincial Treasury in assisting local government when performing its oversight work.

## 2. LIST OF DOCUMENTS

A list of documents were considered in the process of finalization of the oversight report, not all documents will be attached to the report, only those documents that had a direct bearing on the work of the committee are attached. Other documents can be found in the Office of the Speaker for inspection or perusal and for the purpose of transparency and the promotion of good governance. Attached are the following:

- Annexure A - Minutes of the meetings of the Municipal Public Accounts Committee
- Annexure B - Questions compiled for the Senior Management
- Annexure C - Management Responses

### 3. TIME FRAMES FOR ANNUAL REPORT

The following outlines the major steps in the Annual Reporting process indicating responsibilities and dates prescribed in the Municipal Finance Management Act and Municipal Systems Act.

				Compliance
31 August	Submit municipality's AFS to Auditor-General	S126(1)(a)	Municipal Manager	Complied
31 August	Submit municipal entity AFS to parent municipality and to Auditor-General	S126(2)	Municipal Entity Accounting Officer	Complied
30 September	Submit consolidated AFS to Auditor-General (municipalities and entities)	S126(1)(b)	Municipal Manager	Complied
31 October and quarterly thereafter	Auditor-General submits to Parliament and the provincial legislature names of any municipalities, which have failed or continue to fail to submit AFS.	S133(2)	Auditor-General	Complied
Within three months of receiving AFS (30 November or 31 December)	Audit report returned to Municipal Manager	S126(3)	Auditor-General	Complied
On receipt of audit report	Municipality must address any issues raised by the Auditor-General and prepare action plans to address issues and include these in annual report. Provide copy of report to Audit Committee	S131(1)	Municipal Manager. Mayor must ensure compliance by municipality	Complied
31 December	Entity submits annual report to Municipal Manager	S127(1)	Municipal Entity Accounting Officer	Complied
31 December	Annual Reports of municipality and entities tabled in Council	S127(2)	Mayor	Not complied
Immediately after annual report is tabled	Annual report made public and local community invited to submit representations.	S127(5)(a)(MSA)S21A and B	Municipal Manager	Not complied
Immediately after annual report is tabled	Annual report submitted to Auditor-General, relevant provincial treasury and provincial department responsible for local government in the province.	S127(5)(b)	Municipal Manager	Complied
When meetings held to discuss the	Attend meetings to respond to	S129(2)(a)	Accounting Officer of municipality and	Not complied

Prescribed Dates	Actions	MEMLA (S)	Responsibility of	Compliance
annual report	questions concerning		entity	
Following meetings to discuss the annual report	Submit copies of minutes of the meetings to the Auditor-General, provincial treasury and provincial department responsible for local government	S129(2)(b)	Accounting Officer of municipality and entity	Complied
Within two months of report being tabled (31 March)	Council to have considered the annual report and adopted an oversight report	S129(1)		Pending the submission of the oversight report within the prescribed time frame as outlined in the reporting cycle.
Within seven days of adoption of oversight report	Make public the oversight report	S129(3)S21 A-MSA	Accounting Officer	None complied pending the adoption of the oversight report.
Within seven days of adoption of oversight report	Submit to the provincial legislature, the annual report of municipality and entities and the oversight reports on those annual reports.	S132(1)& (2)	Accounting Officer	None complied pending the adoption of the oversight report.
As necessary	Monitor compliance with submission of reports to provincial legislature	S132(3)	MEC for local government in the province	Complied
Within 60 days of receiving annual reports	Report to provincial legislature any omissions by municipalities in addressing issues raised by the Auditor-General	S131(2)	MEC for local government in the province	Complied
Annually	Report to Parliament on actions taken by MEC's for local government to address issues raised by Auditor-General on municipal and entity AFS	S134	Cabinet member responsible for local government	Not applicable to municipality

#### 4. OVERSIGHT FRAMEWORK (REPORT)

The oversight report as attached contains the following key aspects:

##### 4.1 Integrated Development Plan

Was the IDP tabled before the council? The municipality adopted the reviewed IDP at a special council sitting 35 in a meeting held on the 26-05-2015 as resolution number 1

##### **The Process Methodology**

The current IDP 2014/15 is reviewed in line with the Sedibeng Growth and Development Strategy two (2) (SGDS 2), Five year IDP 2012/17 as well as guidelines from the National and Provincial government . The review undertaken by the Sedibeng District Municipality will focus only on the aspects of the IDP that relates to the financial year 2015/16.

##### **Was there any compliance with regard to the format and components and timelines?**

The IDP complies with the provision made in the Municipal Systems act, s (26) with regard to the components. The MEC's comments were considered on the reviewed for the following financial year.

##### **Alignment to the budget**

There was no alignment with regard to IDP and the Budget, evidence to that is the finding from the internal audit reports that were presented before council and how clusters could not achieve targets set during the financial year 2015/16. The translation of the projects committed in the IDP to the SDBIP is still a challenge as misalignment remains the order of the day.

##### **4.2 The IDP contains MEC comments for 2015/16 financial year as follows:**

The IDP complies with the provision made in the Municipal System act, s (26) with regard to the components. After the adoption of the IDP 2015/16 by council, the Sedibeng District Municipality submitted it's 2015/16 IDP to MEC for Local Government for comments. Below are the comments from the MEC of Local Government and Housing on Sedibeng District Municipality IDP:

MEC COMMENTS	RESPONCES
<p><b>DID THE IDP CONTAINED MEC COMMENTS:</b></p>	<p>The IDP complies with the provision made in the Municipal System act, s (26) with regard to the components. After the adoption of the IDP 2014/15 by council, the Sedibeng District Municipality submitted it's 2014/15 IDP to MEC for Local Government for comments. Below are the comments from the MEC of Local Government and Housing on Sedibeng District Municipality</p>
<p><b>SPATIAL PLANNING:</b></p> <p>Municipal IDP does not acknowledge the SDF as overarching sector plan from which other take cue, as articulated in the revised IDP Framework 2012 .Though relevant national and provincial policies and legislation are referred to in the IDP Document, Specific implications of such in relation to spatial planning are not contextualized the municipality to note SPLUMA and Its implications.</p> <p>Spatial expression of the municipality in relation to the Gauteng City Region is limited. There is lack of concrete analysis in municipality's morphology in nodes and corridors of neighboring municipalities as well as Gauteng Region .It is noted that a new District SDF has been developed however ,there is no integration of spatial planning at local level.</p> <p>A spatial expression and analysis stretching beyond municipal boundaries is imperative to advance planning for a functional Gauteng City Region, therefore the municipality should purposefully utilize Gauteng Spatial Framework (GSDF) to achieve this.</p> <p>Though the existence of growth management practices is acknowledged. The municipality should explore the applicability of growth management mechanisms outlined in Gauteng Growth Management Perspective (GGMP).</p> <p>The Municipality indicates that the current revision of SDF will, amongst others, address the natural resources scarcity and the multi dimensional impacts of climate change.</p> <p>The municipalities should be in liaison with Department of Agriculture and Rural Development to develop a single Gauteng Environment Management Framework to dvance a uniform approach to environment</p>	<p><b>DEPARTMENTAL RESPONSE</b></p> <p>The revised IDP, like the previous IDPs, has always put SDF at its Centre for analysis, sector plans and strategies. The only difference is that, in the period under review SDM was completing its five year SDF ending 2013 and hence Gauteng Planning Commission worked with SDM and Local Municipalities to develop a new five year SDF 2014/15- 2019/20. SPLUMA came into effect in August 2014 and even now there are capacity challenges for municipalities in the implementation of Planning and Land Use Act so it is for this reason that SALGA is addressing the matter.</p> <p>The District nodes are well articulated, having taken into account the neighboring municipality and the conurbation spine well defined. The Gauteng Planning Commission's involvement was to harmonize spatial architect of the District to include the SDFs of the Local Municipalities and that of the province to give a context to Gauteng Global City Region</p> <p>The current five year SDF has taken into account the Gauteng Spatial Framework</p> <p>The comment is noted and is now considered going forward. The natural resources scarcity ad multi-dimensional impact of climate change have been taken into account with all interventions around spillage into the river, sanitation capacity that is being addressed and the Turnaround of Suikerboschrand Nature and Conservation Area in Midvaal.</p>

management, climate change, resource scarcity and waste output reduction.

**LOCAL ECONOMIC DEVELOPMENT :**

The District Manufacturing sector has been on a deficit since global economic crisis and has struggled to recover ever since .It is not observable through 2014/15 draft IDP on how the district plans to address the trade deficit caused by the reduction in export of goods manufactured in the district.

The District with the help of Gauteng Growth & Development Agency (GGDA) can develop an export strategy as one of the channels through which the trade deficit can be addressed.

The District has over the years struggled with pollution from manufacturing sector and currently is one of the most polluted regions in Gauteng .The situation is as a result of economic choices made.

**DEPARTMENTAL RESPONSE**

Manufacturing activities are purely private and influenced as well as dictated upon by demand and supply. Trade policy is a competency of national and provincial governments with very limited scope for Local Government

There is limited scope as a District Municipality can achieve in this regard.

The Sedibeng District Municipality is currently continuing issuing Atmospheric Emission License to regulate industries and undertaking clean smoke campaign to the Communities to reduce pollution in this instance can refer to air pollution (Air Quality) and pollution as a result of poor waste management. Air pollution: Most of the bigger manufacturing industries are still using old technology and are struggling to meet the norms and standards as set in the National Environment Management Act: Air Quality Act, 2004.

However, the SDM is fulfilling its role as a licensing authority which will see improvement in air quality through enforcement of license conditions. Fossil fuel burning as a means of heating and cooking amongst communities is also exacerbating the situation and contribute largely to high particulate matter and SO<sub>2</sub> in the atmosphere

Cross border pollution from ESKOM (Lethabo Power station) is having a negative impact on the air quality in he district as the plant is run at full capacity which results in breakdowns and poor maintenance of air pollution abatement apparatus Industrial Waste: There is no waste facility in the area to accommodate all available industrial waste (unable to account for all industrial waste generated in the area).

Waste management, as such, is a local municipality function. The SDM, in partnership with the Department of Trade and Industry in response, have embarked on an Industrial Symbiosis Program, to facilitate recycling of surplus materials (waste) which end up at landfills.



<p>The Green Economy agenda of Gauteng proposes practical solutions that the district should take into consideration in dealing with the challenge. The District is therefore encouraged to invest in a programme for conversion of waste from manufacturing sector to create a green economy niche.</p>	<p>The provincial government has identified Green Economy initiatives for West Rand and Agro-processing for Sedibeng but our GDS has targeted actions towards waste conversion to Green and alternative energy.</p>
<p>The Gauteng Department of Economic Development and Industrial Development Corporation (IDC) provide funding towards green economy initiatives and the district is urged to take appropriate steps and establish partnerships in this regard.</p>	<p>SDM is currently implementing the Bio-digest project in two Schools in Sharpeville as a renewable energy initiative in Partnership with GDED and in process of expanding the first phase of the Pilot project.</p>
<p><b>INFRASTRUCTURE AND SERVICE DELIVERY:</b></p> <p>The implementation of the Sebokeng and Meyerton Waste and Water Treatment Works has been delayed by its migration from municipality to Rand Water. The municipality is urged to respond to details of when this issue is going to be resolved as this is urgent project.</p>	<p><b>DEPARTMENTAL RESPONSE</b></p> <p>The migration of the Sedibeng Regional Sanitation Scheme (SRSS) to Rand Water has been completed, and the implementation of the Phase 1 of the project is well underway, save for the local employment issues at the Sebokeng WWTW project. The funding for the SRSS is from the Department of Water and Sanitation and is ring fenced.</p>
<p>Under sanitation, energy and transport sections of IDP Reviewed 2014/15 there is only R4bn consolidated budget, with breakdown thereof. There is to ring fence budgets for all projects for smooth implementation.</p>	
<p><b>INSTITUTIONAL DEVELOPMENT AND GOOD GOVERNANCE :</b></p> <p>It is not clear whether there is a dedicated IGR unit in the municipality. An establishment of such unit will strengthen intra and intergovernmental alignment. As per MSA of 2000 it is the responsibility of District Municipality to coordinate IDPs of local municipalities and alignment development in the entire district space.</p>	<p><b>DEPARTMENTAL RESPONSE</b></p> <p>A Mainstreaming committee involving representative from departments has been established.</p> <p>The committee will facilitate mainstreaming of GEYODI to ensure that all relevant departments integrate GEYODI in the implementation of their projects.</p> <p>Quarterly reporting by departments will be monitored and handled as an integral part of Service Delivery and Budget Implementation Plan (SDBIP) reporting.</p>

## FINANCIAL VIABILITY

## DEPARTMENTAL RESPONSE:

As a result of the municipality being district, the capital budget is mainly comprised of repairs and maintenance of existing assets as well as installing fiber optic cables .From cash perspective it appears the municipality will be able to achieve the set targets .Capital projects should be multiyear and adequately costed in the IDP .As it is currently stands, only budget year is accommodated in the document.

National and provincial allocations are aligned to the allocations as gazette and in accordance with the prescripts of DORA. The FMCMM tool prescribed by National Treasury as well as the Circular 71 ratio analysis has been implemented by management to assess and analyze the 13/14 actual financial position and performance (audited) and the trends are therein applied to budgetary forecasting to ensure that municipal operations are based on financial sustainability and viability.

The municipality attained a clean audit in the previous financial year in the IDP, and it has been indicated that municipality has adopted an action plan in addressing the minor administration issues raised in AG Report in order to ensure that it maintains clean audit opinion going forward the district is commended in this regard.

The comment is appreciated. The municipality will endeavor at all costs to sustain the "Clean" audit status. Various internal control mechanism have been put in place to ensure sustenance thereof

There is high level of alignment between the strategic documents of the municipality in terms of plans as well as plans as well as execution; the municipality however still needs to ensure that all allocations (Anticipated revenue) from National Government are aligned to what is contained in the budget. This should be done in order to prevent the municipality from under/over budgeting.

National and provincial allocations are aligned to the allocations as gazette and in accordance with the prescripts of DORA.

The IDP of the municipality adequately covers issues of financial sustainability and paints a picture of a municipality which has a short to medium term strategy for the region. The strategy appears viable from cash perspective as the municipality is mostly dependent on funding from National Government to carry out its operations.

The FMCMM tool prescribed by National Treasury as well as the Circular 71 ratio analysis has been implemented by management to assess and analyze the 13/14 actual financial position and performance (audited) and the trends are therein applied to budgetary forecasting to ensure that municipal operations are based on financial sustainability and viability.

Sedibeng Region has been identified as Gauteng Food basket By Provincial Government and the challenge is and availability from local municipalities earmarked for Agricultural Purposes to be provided especially to the emerging farmers who will contribute immensely into the mainstream of the economy in the Region.

It merits mentioning that it is not only government inclusive of local government that owns land. The recent land audit has revealed that vast tracks of land belong to private persons or concerns. Nonetheless where land belongs to the municipality the Sedibeng District Municipality will facilitate engagements with the relevant municipality. It should also be noted that the Sedibeng DM has initiated a process of continuous engagement with emerging farmers with a view of addressing their concerns which stretch from land availability to sources of funding.

<p>Does the municipality have a township revitalization strategy that's in line with the metro objectives as well as enhancing township tourism?</p> <p>Art, Culture and Heritage should be the driving force for township tourism attraction and what are the benefits for the emerging entrepreneurs that focus on the SRACH sector?</p>	<p>The strategic linkages of the development of the proposed Historical Epochs of the Vaal in the Constitutional Square is meant to promote the region as a tourist attraction. The Sharpeville Heritage struggle route is facilitated through the Gauteng Tourism Agency. The Heritage Department in conjunction with the relevant stakeholders will develop Tour Routes for Boipatong, Sebokeng, Evaton and Peace treaty sites. Tour Routes will be accompanied by brochures with maps, GPS coordinates and historical information; these will be launched in conjunction with the local municipalities, GTA GP SACR and the relevant community. The intention of developing Sharpeville Craft Hub in the Cultural Precincts was meant to promote Creative Industries as the preferred developmental approach over the medium to long term.</p>
<p>Leadership in Municipalities should constantly engage communities and different sectors of society even those who preserve a negative attitude in order to show maturity and promote cooperation between society and local government on their intended planning of addressing service delivery backlog and challenges.</p>	<p>Engagement with communities and different sectors is done through various forms, i.e. Mayoral Imbizo's,</p> <p>IDP Stakeholder engagement, Caucus Sub-committee's oversight visits to communities to check on progress made on Service Delivery especially on issues related to housing development in the region. Sector engagement is also conducted through moral regeneration movement.</p> <p>Presently a round table was held with SACC to respond to such negatives. SEDIFO will be re-launched to respond to Disabilities needs in the region. Sedibeng Faith Based Organization is to be Launched. Moral Regeneration is there to asset Sedibeng on positives values by Communities. Citizen Responsibility Campaign is ongoing within the Office of The Speaker.</p>
<p>Employment of disabilities in local government in line with Equity Act of 2 % ratio has not been addressed adequately.</p> <p>Business opportunities for doing business with municipalities has not been addressed as 25 entrepreneurs from SEDIFO has registered and filled in Vending Forms at level of Local Municipalities and to date they have not benefitted from economic opportunities .</p> <p>Disabled persons lack of Access to public facilities in all our local municipalities.</p> <p>Provision of Offices for Disability Sector in the region from either Local Government or Private Sector.</p>	<p>Disabled companies must clearly state their designated group on the municipalities' database registration documents in order to identify their company being classified as preferential in terms of our SCM policy. The municipality through our Supply Chain department has undertaken to meet with the group with the purpose to advise the group internally how to tender and how to become competitive in the commodities they aspire to perform in business. Business opportunities are promoted for legible PWDs who are also encouraged to register on the supply chain data base of Municipalities to ensure that they benefit accordingly. Suitable transportation and venues are made available when needed for PWD meetings and activities within the region.</p>

Water leakages is a problem as the infrastructure remains a challenge in all our townships and CBDs and develop a programme in partnership with youth formations in order to address these challenges by providing them with plumbing skills and in return the youth could address the leakage challenge after skills acquired.

The storm water project that is incomplete and of poor workmanship in Tshepiso

Installation of storm water drainages and cash pits in access roads across the district that will sustain current road infrastructure life span especially Dr Nkomo and Tshekedi Streets which are waterlogged during rainy seasons and water enters into houses.

A bridge has to be constructed behind the stadium as is urgently needed.

The Sedibeng DM is providing support and facilitation to Emfuleni in the identification and compiling of service delivery issues and public complaints.

These concerns and comments raised were also referred to relevant departments in Emfuleni Local Municipality for consideration as well.

Installation of speed humps in access roads of all 5 old townships in Sedibeng.

Poor Quality of roads infrastructure of the new projects to date, for example Mbatha Street in Sharpeville.

The municipality needs to address the potholes which are all over the streets that are hazardous to transport have a negative impact our local economy.

Electrical high mast installation that are not serviced across the townships.

Resealing of the main road leading to Zone 16, Sebokeng and Mthombolwazi that is adjoining Bikitsha streets and inaccessible.

A lack of commitment and poor planning of Emfuleni Local municipality which deviated from original plans because Moeli Primary School was earlier earmarked for skills development, which is now to be converted into home for the destitute and orphans.

There is a need to provide Wheelie bins for refuse removal in our townships and CDBs across the district.

Development of parks to close illegal dumping Cutting off and pruning of Trees next to Boipatong police station.

<p>30% Stake for local contractors pose a challenge and threat towards development in the new projects of within our municipality space ,such as Mr. Mvelase's appointment in all projects across the region. Flouting the prices in Debonair park projects as amounts have been increased yet the projects are incomplete.</p>	<p>CFO comments – Debonair Park projects are under the authority of the local municipality and therefore the project management and procurement strategy is at the prerogative of the governing Council. The District has made numerous attempts to align procurement across the region through a District wide Procurement Strategy and Integrated Supply Chain Framework; however SDM remains unsuccessful in attaining the necessary executive and legislative approval through existing IGR structures. The Procurement Strategy will afford all Councils within the District to alignment Preferential Procurement to meet the Regional LED initiatives and EPWP targets. Integrated SCM Framework will open up broader work opportunities for SMMEs and local businesses in the Region and increase market competition. These factors in turn will benefit individual Councils through increasing value for-money and reducing prices offerings.</p>
<p>Constant of Promotion of young entrepreneurs in various fields assisted by the municipality to address unemployment in the district.</p>	<p>SDM is in partnership with BHP Billiton in implementing the enterprise development Programme for Youth Development</p>
<p><b>Comments from Local Municipalities IDP Public Participation 2014/15</b> A need for to build Early Childhood Development centre in Ward 30</p>	<p>Proposal has been made to build Early Childhood Development centre by Emfuleni in the 2015/ 2016 budget financial year.</p>
<p>Community health workers are struggling to get salaries abused by service providers appointed by Provincial Health Department should be urgently addressed.</p>	<p>Provincial Department of Health has absorbed community health workers and they are been paid directly from the department pay-roll.</p>
<p>Upgrading of Bophelong clinic as it is too small to service the entire community of the area.</p>	<p>Proposal to build a new clinic at Bophelong Extension forwarded to province, however it is not included in the 2015/16 financial year budget.</p>

#### 4.4 Auditor General's Report

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Sedibeng District Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

##### Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Financial sustainability**

Note 34 to the financial statements indicates that the municipality incurred an operating deficit of R6 015 362 (2013-14: R36 422 843) during the year ended 30 June 2016 and, as of that date, the municipality's current assets by R65 688 470 (2013-14: R72 738 086). These conditions indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

### **Restatement of correspondence figures**

As disclosed in note 33.1 to the financial statements, the corresponding figures or 30 June 2014 have been restated as a result of errors discovered in the financial statements of the municipality during the year ended 30 June 2015/16.

### **Additional matter**

I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Unaudited disclosure notes**

In terms of section 125(2) (e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirements did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

### **Report on other legal and regulatory requirements**

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### **Predetermined objectives**

I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development objectives presented in the annual performance report of the municipality for the year ended 30 June 2016:

- |                          |  |
|--------------------------|--|
| Development objective 1: | plan and develop accessible, safe and affordable public transport systems and facilities on pages x to x                 |
| Development objective 2: | facilitate and coordinate internal and external HIV & AIDS and TB mainstreaming on pages x to x                          |
| Development objective 3: | the pursuit of efficient, accountable, co-operative governance on pages x to x   |
| Development objective 4: | qualitative transparent and reliable performance management system in the Sedibeng District Municipality on pages x to x |

- Development objective 5: render an efficient effective and corruption free vehicle registration and licensing services on page x to x
- Development objective 6: create long term sustainable jobs, reduce unemployment, poverty and inequality on pages x to x
- Development objective 7: promote residential development and urban renewal
- Development objective 8: provide integrated support in ensuring that communities are safe and secure on pages x to x
- Development objective 9: promote efficient delivery of primary health care and emergency medical services on pages x to x
- Development objective 10: ensuring BBBEE and SMME development on pages x to x
- Development objective 11: promote and develop agricultural sector on pages x to x
- Development objective 12: provide an integrated support in ensuring that communities are safe and secure on pages x to x
- Development objective 13: develop and maintain high quality municipal facilities on pages x to x

I evaluated the reported performance information against the overall criteria of usefulness and reliability.

I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information.

I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

I did not identify material findings on the usefulness and reliability of the reported performance information for the selected development objectives.

### **Additional matter**

Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected development objectives, I draw attention to the following matter:

#### **Achievement of planned targets**

Refer to the annual performance report on pages x to x and x for information on the achievement of the planned targets for the year.

### **Compliance with legislation**

I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

### **Internal control**

I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

### **Other reports**

#### **Investigations**

An internal forensic investigation was conducted at the request of the municipality. The investigation was initiated based on allegations of the possible misuse of the chief operations officer's signature. The investigation was still ongoing at the reporting date.

## **4.5 Annual Report**

There was a general compliance with regard to the new reporting template even though there is no consistence as some arrears from the Executive Mayors foreword will need to be filled in terms of the information. The draft annual report was tabled on time at the end of August 2016 as per the requirement. The format and the content were followed even though not to the latter. The draft Annual Report was tabled from the 26<sup>th</sup> August 2016 which the municipality did comply.

According to the Oversight Report Framework, Annual reports are required in terms of s (46 ) of the Municipal Systems act, and s (121)and s (129) of the Municipal Finance Management Act No 56 Of 2003,the Annual Report has to comply with the following components.

- A foreword by the Mayor; an overview of the Municipality
- An organizational structure
- No report of the auditor general on the performance of the municipality
- Unaudited Financial Statements
- Unaudited Report of the financial statements; Disclosure on government grants; as well as disclosure on councillors.



#### **4.6 Specific Grants**

Restructuring grants are not applicable to the district. Grants at the level of the district are grants such as Municipal Infrastructure Grant, Governments grants and subsidies, equitable shares, Provincial grants, Neighborhood Grants and DLG Grants.

#### **4.7 Performance management**

There is a policy approved by council and it has been reviewed. Electronic management system has been implemented as a method to track the progress made by individual employees throughout the municipality. Draft Annual Report tabled on the 26<sup>th</sup> August 2015 was as a result of the integrated assessments by all clusters. It was identified that the challenge with the electronic performance management system is the capacity to upload large information and the committee recommended to council on the upgrading of the system. Lack of evidence by clusters which led to the late submission on the quarterly reports need to be considered by the management as this affects the achievement of the targets set by the municipality.

#### **4.8 Circular 32.63 and 11 of National Treasury**

The Municipal Public Account Committee will be guided by the above mentioned regulation in doing and completing its work and it will also expect the municipality to fully adhere as the objective is to promote good governance and enhance transparency and accountability.

#### **4.9 CFO's response to Auditor General Report and corrective measures taken**

The action plan was submitted before the committee as to how the issues raised by the internal auditors will be addressed.

#### **4.10 Municipal Bank Account**

The council is using a main account which is ABSA. And the council is also using other savings accounts for investments such as FNB and Standard bank.

#### **4.11 Cash, Investments, and Asset Management Latest Developments**

Cash investment policy was reviewed and tabled to council during Council 75 - 2014-05-28 as council resolution A1329 and A1330.

#### **4.12 Debt Register**

Debt register was taken care during the financial year 2015/16 financial year.

#### **4.13 Financial Management**

Sedibeng District Municipality has developed internal control measures aimed at minimising risk and keep the status stable as the institution relies on the grant received from National Treasury.

#### **4.14 Audit Committee**

Audit committee has been appointed, and in terms of their reports this committee is functional. The committee has the following members in place;

Members appointed are:

- Mr Johan Sitting
- Mr Haroun Pouchee
- Ms Mmathebe Moja
- Mr Thabo Morabe
- Mr S Mofokeng – has been acting as Chairperson from May 2014.

The Audit Committee has responsibly exercised its role to provide oversight on the Municipality's control, governance and risk management. Furthermore, the Committee has provided the Accounting Officer and Council with independent counsel, advice and direction. The charter amongst others specifies measures with regard to risks and it also specifies the role of the internal audit committee. The audit committee is functional and its meetings are convened as per scheduled.

#### **4.15 Supply Chain Management**

Supply Chain Policy was reviewed during the council sitting of the 08 Of June 2017.

A deviation template to record all deviation has been developed. All deviations are reported to council on monthly basis and annual deviations are disclosed as a note on the annual financial statements. Sedibeng District Municipality is monitoring its internal controls to ensure that processes on procurements are undertaken properly.

Tender documents are centralized at Supply Chain Management according to the project plan, to address tendering and procurement issues. And it was emphasized that an oversight role should be played on whether the accounting officer submit the report on the implementation plan of the policy, which should takes place 30 days after the end of the financial year.

#### 4.16 Internal Audit Function

The internal audit committee is outsourced to a firm called Grant Thornton. The Sedibeng district Municipality does not have an internal audit unit but employed a staff to coordinate and organise the day to day running of the unit in consultation with the outsourced firm. Reports were compiled and forwarded to Audit Committee and the office of the Municipal Manager.

#### 4.17 Credit control and debt control

Debt Management Policy with Council Resolution A1329, taken 28 May 2014 at 75<sup>th</sup> Council meeting. No debt reported during the financial year under review.

#### 4.18 Audit Queries

The committee will look beyond what the Auditor General will raise as a root causes and perform its oversight accordingly in improving the current outcome expressed by the office of the Audit General for the financial year 2015/16.

### 5. CONCLUSION

The Annual Report for the financial year 2015/16 complied with tabling of the Annual Report. The committee also picked grey areas to the report and advice the administration to take its work very serious as this report has to be tabled to public. The committee will ensure that the institution is geared towards sustaining the current outcome and furthermore monitor the gradually improvement of the local municipalities in attaining the clean audit through the IGR district policy framework. Municipal Public Accounts Committee advice the municipality to consider and implement the comments made by Provincial stakeholders as part of enhancing quality reporting.

### RECOMMENDED

*Municipal Public Accounts Committees (MPAC) recommend to Council to adopt the Annual Report with the following reservations:*

1. THAT the Annual report together with the summary version be put in public places such as libraries, and website.
2. THAT Public meetings be convened by MPAC where the Annual Report will be presented to the community in enhancing Public Participation.
3. THAT the committee will conduct its oversight on quarterly performance reports and present progress report before Council.

4. THAT all entities who were found to be running at a loss, a report be presented to the MPAC committee and Council on the turn-around strategies.
5. That the committee recommend to Council on section 57 employees not to be paid bonuses as a result of performance regression in sustaining the clean audit.
6. That the content of the Settlement Agreement between SDM and Adv. Moabi Mosotho Petlane be further investigated and a progress report be tabled before council.
7. That all Entities to submit the Financial and the performance report to MPAC Committee for monitoring purposes.
8. Revised list of asserts owned by the Municipality to be submitted to MPAC Committee.