



LEPHALALE  
MUNICIPALITY

*A vibrant City and the Energy Hub*

**MUNICIPAL PUBLIC ACCOUNT COMMITTEE**

**2018/2019 FY OVERSIGHT REPORT**

**FOREWORD BY THE CHAIRPERSON**

Section 121 of Municipal Finance Management Act no 56 of 2003 requires each municipality to prepare an Annual Report and the council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality. Section 121 (2) highlights the purpose of the annual report as follows:

- a) to provide a record of the activities of the municipality or municipal entity during the financial year which the report relates;
- b) to provide a report on performance against the budget of the municipal or municipal entity for the financial year; and
- c) to promote accountability to the local community for the decisions made throughout the year by the municipal or entity.

The 2018/19 Draft Annual Report was tabled in Council on the 24<sup>th</sup> January 2020 and referred to the Municipal Public Accounts Committee for scrutiny and report back to Council on the findings. The final step in the reporting process is for the Council to approve the Annual Report taking into consideration the findings contained in the Oversight Report. The Municipal Public Accounts Committee is required by Section 129 (1) of the Municipal Finance Management Act No. 56 of 2003 to consider the Draft Annual Report and thereafter table its findings and recommendations to Council within 02 months after it was referred to the committee.

The Municipal Public Accounts Committee was established. The main task of the Committee is to promote a culture of the accountability, transparency, accountable local governance and the aspiration of a sound financial management practice which will ultimately result in acceleration of quality service delivery to the entire community in the District.

The Municipal Public Accounts Committee (MPAC) has finally completed its delegated work and is now in a position to table its Oversight Report with the findings and recommendations.

Credit and much appreciation is also given to the Members of the Committee for their tireless efforts for making sure that the assigned task is completed in line with the Section 129(1) of MFMA and also appreciating the support offered by the Office of the Auditor General, the office of governance SALGA, the Chairperson of the Audit Committee, the Limpopo Provincial Treasury and the Department of Cooperative Governance, Human Settlements and Traditional Affairs (CoGHSTA).

The committee further acknowledge the administrative support rendered by the officials under the leadership of the Acting Municipal Manager, Maria Cocquyt for their outstanding work of coordinating MPAC activities, submission of relevant documentations and also honouring and responding to questions raised by the Committee.

***Mpac 2018/19 FY Oversight Report***

To Madam Speaker, Cllr Reggie Molokomme through your support and courage, the committee appreciate your commitment regarding the initiation of public participation on Annual Report and MPAC did manage to complete the assigned task within the required period in a very tight schedule. Not forgetting the support of the Mayor, Chief Whip, Section 79 Chairperson, Members of the Mayoral Committee and Councillors, members of the community representative stakeholders, Magoshi a Rena and Members of the Traditional Councils who were invited to be part of the public participation. On behalf of the Municipal Public Accounts Committee, I would like to say thank you.

## **1. STATEMENT OF THE PURPOSE OF THE OVERSIGHT**

Council has appointed the Municipal Public Accounts in terms of Section 79 of Local Government Municipal Structures Act, No. 117 of 1998. The Committee is expected to play oversight role and promote accountability and transparency in the local government sphere.

Section 121 of Municipal Finance Management Act No. 56 of 2003 requires each municipality to prepare an Annual Report and the council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality. Section 121 (2) highlights the purpose of the annual report as follows:

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Section 129 (1) of the MFMA states that the Council of the Municipal must consider the Draft Annual Report of the Municipality and by no later than two months from the date on which the Draft 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 of whether Council has:

- ***approved the Annual Report with or without reservations;***
- ***rejected the Annual Report or***
- ***referred the Annual Report back for revision of those components that can be revised.***

## **2. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

During the 2018/19 financial year, the Municipal Public Accounts Committee was consisting of the following Councillors.

|     |                    |   |                         |
|-----|--------------------|---|-------------------------|
| 2.1 | Clr M J Marakalala | - | <b>MPAC Chairperson</b> |
| 2.2 | Clr L S Manamela   | - | MPAC Member             |
| 2.3 | Clr M R Modiba     | - | MPAC Member             |
| 2.4 | Clr N J Motebele   | - | MPAC Member             |
| 2.5 | Clr S M Nieuwoudt  | - | MPAC Member             |
| 2.6 | Clr M M Madibana   | - | MPAC Member             |
| 2.7 | Clr K M Mogohloana | - | MPAC Member             |
| 2.8 | Clr S J Moselane   | - | MPAC Member             |

2.9 Cnr R Maropeng - MPAC Member

### **3. CIRCULATION OF THE ANNUAL REPORT**

Since the referral of the 2018/19 Draft Annual Report by Council, Lephale Local Municipality has issued adverts in News Papers and also posted the document on the Municipal Website and Facebook, to inform the public of the availability of the document. The document was circulated on municipal website ([www.lephale.gov.za](http://www.lephale.gov.za)), Maropeng library, Municipal main library (civic centre), Shongoane library, Thabo Mbeki library, tribal offices in Seleka, Mokuruanyane and Shongoane, Thusong Centre Leseding and /Mokuruanyane.

### **4. ANNUAL REPORTING PROCESS – 2018/19**

Lephale Local Municipality has complied with the legislative requirements relating to the process followed in compiling the 2018/19 Draft Annual Report and the resultant of Oversight Report in comparison, as required in terms of Sections 121 to 129 of the Municipal Finance Management Act, No. 56 of 2003.

### **5. METHODOLOGY AND FINDINGS**

#### **5.1 MPAC meetings**

Municipal Public Accounts Committee managed to meet in **February (26<sup>th</sup> and 27<sup>th</sup>)** to verify the validity and completeness of the information outlined in the 2018/19 Draft Annual Report against legislative requirements. The Office of the Auditor General, Provincial Treasury, Department of Cooperatives Governance, Human Settlement and Traditional Affairs, Salga and Audit Committee Chairperson were invited to clarify the committee on some issues.

#### **5.2 MPAC Projects Visits**

Verification process was conducted on a sample of projects appearing in the 2018/19 Draft Annual Report to confirm their completeness and also to check their impact to the community.

#### **5.3 Public Participation**

The Municipality invited public comments on the Draft Annual Report and the municipality exclusively invited community representative stakeholders to submit comments on the 06<sup>th</sup> of March 2020 although the attendance was not satisfactory but stakeholders afforded time to comment.

## **5.4 Public Hearing**

The Public Hearing on the 2018/19 Draft Annual Report was scheduled for the 19<sup>th</sup> of March 2020 and the event did not materialise due to the COVID-19 pandemic in South Africa, this has led to an increase in measures taken by both our government and ourselves in order to minimise the risks involved should the virus continue to spread at a rapid rate.

## **5.5 General finding**

### **5.5.1 Project visit**

- ✓ Municipality continues to implement projects but failing to monitor them as a result the communities are not getting water through those projects e.g RWS Mokuruanyane and Shongoane RWS/ Witpoort and Seleka RWS phase 4 and phase 5 in which were reported to be outstanding work on site.
- ✓ Slow implementation of the following projects dated back to 2013/2014 Financial year:-
  - Construction of Witpoort and Seleka RWS Villages water extensions Phase 5
  - Construction of Mokuruanyane and Shongoane RWS Phase5
  - Construction of Mokuruanyane and Shongoane RWS Phase4
  - Construction of Witpoort and Seleka RWS Phase 4
  - Thabo Mbeki sewer network
- ✓ The actual expenditure for Thabo Mbeki sewer network has exceeded the budget although the project is incomplete.
- ✓ The municipality applied for additional funding to complete the projects; however MISA is currently busy with the assessment on the projects.
- ✓ The contractor (**for Thabo Mbeki sewer network**) issued a termination letter to the municipality due to delay in completion of the project, and the physical progress for the project is at 84 percent.
- ✓ The technical report included connection to households but the project did not include connection to household due to that the engineer's design omitted connection to household.
- ✓ CoGHSTA issued a directive to conduct a technical assessment for all 3 stalled projects, and thus mandated the municipality not to implement those projects until MISA conclude with the technical assessment.
- ✓ **Construction of Mokuruanyane access road** was expected to be completed on 04 May 2018 which was not achieved, the project completion period was extended to the 30<sup>th</sup> April 2019, and the project is at 100 percent complete.

**5.5.2 2018/19 Draft Annual Report**

- ✓ Some errors identified during the consideration of the quarterly reports were not rectified.
- ✓ There is lack of adequate review of performance information throughout the year by both the PMS division and the executive managers which results in the annual reported performance not being accurate.
- ✓ High level of vacancy rate at senior management level and this compromise the stability of the municipality and also have an impact of decision making.
- ✓ An increasing trend of Water distribution losses against the target, and a negative electricity loss calculated.
- ✓ The municipality reflected operating deficit in 2018/19 FY and has regressed when compared to the 2017/18 audited figures.
- ✓ Non-payment of services by community.
- ✓ Average collection rate from consumer debtors is still below the 95 percent acceptable norm.
- ✓ Annual actual performance is not valid, accurate and/or complete.

**6 SUMMARY OF SUBMISSIONS RECEIVED FROM THE COMMUNITY AND OTHERS**

The following reflects the inputs received from the respective bodies/individuals relating to the contents of the annual Report

| <b>Representation submitted by:</b>        | <b>Key issues raised</b>  | <b>Determination by Oversight Committee</b>  |
|--|---|--|
| Individual Councillors                     | None  | N/A  |
| Private Individuals                        | None  | N/A  |
| Civic organizations                        | None  | N/A  |
| Public, communities and other stakeholders | None  | N/A  |
| Auditor General                            | Meeting between the Officer of the Auditor General SA and Municipal Public Accounts Committee | Presented during MPAC meeting on the 26 <sup>th</sup> February 2020 and are incorporated within the questions submitted to Management. |

## **7 ANNUAL FINANCIAL STATEMENTS**

The MPAC Committee noted and not impressed that the municipality remained unchanged from 2017/18 FY to 2018/19 FY as **Qualified Audit Opinion**.

The committee is concern about financial statements submitted for auditing not prepared in all material respect in accordance with the requirements of section 122(1) of the MFMA.

Material misstatements of non-current assets, current assets, liability, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit Opinion.

The committee is also concern about the slow implementation of the Auditor General Action Plan, to date the municipality is standing at 76% and only 72 findings were resolved out of 96 findings, although only a month and 1 week left to financial year end.

## **8 CONCLUSION**

The Committee has noted the clarification as given by the management in the action plan to improve institutional financial and non-financial performance, although further questions concerning the financial and non-financial performance of the municipality were submitted to Management and therefore Management were requested to respond to the questions in writing on or before the 17 March 2020 at 16:00PM, but no signed written responses were submitted by the Accounting Officer to MPAC committee to date.

## **9 RECOMMENDATIONS**

**9.1 That The Accounting Officer should ensure that the documents submitted to Council and Committees of Council are reviewed properly that the information is accurately and completely reported and that it is supported by sufficient and appropriate portfolio of evidence.**

**9.2 That all errors identified in the draft Annual report should be rectified when a final document is issued.**

**9.3 That the Council to note that all the 3 stalled projects are on hold and the Municipality can only commence with the projects once the assessment by**



**MISA and CoGHSTA are concluded and this will affect future allocations of funds.**

**9.4 That the project monitoring mechanisms should be strengthened and proper regular follow ups be conducted with CoGHSTA in order to resuscitate stalled projects.**

**9.5 That these regional water scheme projects be prioritized for implementation in the current financial year to resolve the water challenges in the villages.**

**9.6 The Accounting Officer must provide optimal support to governance in order to realize maximum good governance.**

**9.7 That Council approve the 2018/19 Annual Report without reservations.**

**10 Annexures [Summary of the process followed in the review, including:]**

**10.1 Questions provided by MPAC to the Accounting Officer [Annexure A].**

  
**CLIR: MJ MARAKALALA**  
**MPAC CHAIRPERSON**

2020/05/22  
**DATE**