



**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
OVERSIGHT REPORT TO THE COUNCIL OF
MANGAUNG METROPOLITAN MUNICIPALITY
ON THE ANNUAL PERFORMANCE REPORT
FOR THE 2015/16 FINANCIAL YEAR**

COMMITTEE MEMBERS

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FOREWORD BY THE CHAIRPERSON

I am pleased to present the first oversight report of the Municipal Public Accounts Committee (MPAC) in this new term of Council on the 2015/16 Annual Performance Report of the Mangaung Metropolitan Municipality. The MPAC has executed its primary mandate of ensuring good governance, transparency and accountability and will continue to enhance performance monitoring mechanisms that will guarantee that quality service delivery is rendered to the Mangaung citizenry.

I wish to acknowledge the contributions made by my predecessor, Councillor Lulama Titi-Odili, towards strengthening Council's oversight role and concerted efforts made in upholding the MPAC's mandate of ensuring that accountability and good governance prevail, MPAC members, Auditor General, the executive and legislative arms of Council, MPAC support staff, and the administration for their consolidated efforts which are essential in order to ensure that radical socio-economic transformation is realised through the constant pursuit of good governance, sensible financial management and accountability.

As the third sphere of government, our metropolitan municipality, remains committed to implementing the local government objectives and developmental duty enshrined in sections 152 and 153 of the Constitution of the Republic respectively. The Council has grown from strength to strength in its capacity to play an oversight role over the City's achievement of set targets and objective against approved budgets through its Municipal Public Accounts Committee. Council also bears the responsibility of ensuring the responsible use of resources and to minimize instances of any financial misconduct that may arise in terms of the Municipal Finance Management Act.

Notwithstanding challenges faced by the City during the year under review, it is befitting to congratulate the Metro on maintaining the status quo and achieving an unqualified audit opinion. Notable strides have been made towards the eight priority areas which include providing water and sanitation services, facilitating access to housing, ensuring access to free basic services to qualifying indigents, providing efficient environmental health and emergency services and the rehabilitation of social amenities.

As a City, we must continue to toil tirelessly to ensure the vision of the National Development plan 2030 which is to eradicate poverty, unemployment and inequality is attained. During the

year under review, the metro has improved the quality of life of many residents through an increased number of beneficiaries of basic services and job creation through EPWP projects.

1. INTRODUCTION

In accordance with the Municipal Systems Act 2000, section 46 and the Municipal Finance Management Act 2003 section 121, a municipality and its municipal entity must prepare annual performance reports which serve the following purposes:

- i) to provide a record of activities of the municipality or entity;
- ii) to provide a report on performance in service delivery and budget implementation for the financial year;
- iii) to provide information that supports the revenue and expenditure decisions made; and
- iv) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity;

Section 129 of the MFMA requires the council to consider annual reports of its municipality and municipal entity under the municipality's sole or shared control; then formulate comments and recommendations in that regard in the form of an oversight report. This function is delegated to the MPAC which is established in line with sections 33 and 79 of the Municipal structures Act. The 2015/16 Annual Performance report was thus noted and adopted by Council on 12 February 2017 and referred to the MPAC for further evaluation, scrutinization and for the formulation of an oversight report which has recommendations informed by the findings of the Auditor General, written representations from the community and stakeholders; and the contents of the report for the year under review.

2. WORKING SESSIONS AND PUBLIC PARTICIPATION MEETINGS HELD AND SUMMARY OF THEIR OUTCOMES

The MPAC conducted a working session and seven public participation sessions in Bloemfontein, Botshabelo and Thaba Nchu as follows:

Type of Meeting	Date and Venue	Abridged Summary of Outcomes
Meeting with the Office of the Auditor General	Thursday 15, February 2017 at 10h00, 12 th Floor , Bram Fischer Building	The Committee received a briefing on the audit opinion and findings of the municipality and its entity from the Auditor General.
Public Participation Meeting	22 February 2017, at 09h00, Nicro Hall Botshabelo	<p>Targeted Wards:31,32,33,34,35&38</p> <p>The Community was informed of the following:</p> <ul style="list-style-type: none"> • The mandate of the MPAC • The purpose of the meeting • What Annual Performance report entails • that notice of the meeting was given through print media and that the report was made available on the municipal website, municipal offices and libraries through print media. <p>Members of the community where provided with an opportunity to make inputs, comments and ask questions on the annual performance report.</p> <p>Concerns included that the annual performance report did not reach the community on time therefore most people could not prepare for the meeting.</p>
	Wednesday, 22 February 2017, Kaiser Sebothelo Arena, Botshabelo	<p>Targeted Wards:27,28,29,30,36&37</p> <p>The Community was informed of the following:</p> <ul style="list-style-type: none"> • The mandate of the MPAC • The purpose of the meeting • What Annual Performance report entails • that notice of the meeting was

		<p>given through print media and that the report was made available on the municipal website, municipal offices and libraries through print media.</p> <p>Members of the community were provided with an opportunity to make inputs, comments and ask questions on the annual performance report.</p> <p>Urgent service delivery challenges that arose from the meeting are as follows:</p> <ul style="list-style-type: none"> - Bad condition of roads - Need for stormwaters - Incomplete paving of roads - High rate of unemployment - Eradication of the bucket system
Public Meeting	Participation	<p>Wednesday, 08 March 2017, at 17h00, Claredon Hall, Bloemfontein North</p> <p>Targeted Wards: 16,17,19,20,21,22,23,24,25,26,44 &48</p> <p>The Community was informed of the following:</p> <ul style="list-style-type: none"> • The mandate of the MPAC • The purpose of the meeting • What Annual Performance report entails • that notice of the meeting was given through print media and that the report was made available on the municipal website, municipal offices and libraries through print media. <p>Members of the community were provided with an opportunity to make inputs, comments and ask questions on the annual performance report.</p> <p>Urgent service delivery challenges that arose from the meeting are as follows:</p> <ul style="list-style-type: none"> - Need for recreational facilities and a community hall - Illegal dumping sites - Bad road conditions, emergency services can't access homes - Inconsistent collection of waste

		<ul style="list-style-type: none"> - A need for speed humps - Parks not maintained
Public Participation Meeting	09 March 2017, at 09h00, Leslie Monnanyane Regional Hall, Bloemfontein South	<p>Targeted Wards:1,2,3,4,5,9,13,14,15&18</p> <p>The Community was informed of the following:</p> <ul style="list-style-type: none"> • The mandate of the MPAC • The purpose of the meeting • What Annual Performance report entails • that notice of the meeting was given through print media and that the report was made available on the municipal website, municipal offices and libraries through print media. <p>Members of the community were provided with an opportunity to make inputs, comments and ask questions on the annual performance report.</p> <p>Urgent service delivery challenges that arose from the meeting are as follows:</p> <ul style="list-style-type: none"> - No street names - Bad road conditions - A bridge is needed near a local school - Dilapidated toilets - Need for speed humps - Illegal dumping
	09 March 2017, at 14h00, Leslie Monnanyane Regional Hall, Bloemfontein South	<p>Targeted Wards:6,7,8,10,11,12,45,46 &47</p> <p>The Community was informed of the following:</p> <ul style="list-style-type: none"> • The mandate of the MPAC • The purpose of the meeting • What Annual Performance report entails • that notice of the meeting was given through print media and that the report was made available on the municipal website, municipal offices and libraries through print media.

		<p>Members of the community were provided with an opportunity to make inputs, comments and ask questions on the annual performance report.</p> <p>Urgent service delivery challenges that arose from the meeting are as follows:</p> <ul style="list-style-type: none"> - Bad condition of roads - An incomplete bridge - A need for a library - A need for speed humps - Electricity theft by churches - Illegal dumping - No flushing toilets
Public Participation Meeting	10 March 2017, at 09h00, Barolong Hall, Thaba Nchu	<p>Targeted Wards:39,40,42,43,&49</p> <p>The Community was informed of the following:</p> <ul style="list-style-type: none"> • The mandate of the MPAC • The purpose of the meeting • What Annual Performance report entails • that notice of the meeting was given through print media and that the report was made available on the municipal website, municipal offices and libraries through print media. <p>Members of the community were provided with an opportunity to make inputs, comments and ask questions on the annual performance report.</p> <p>Urgent service delivery challenges that arose from the meeting are as follows:</p> <ul style="list-style-type: none"> - Dilapidated houses - Bucket eradication - Assistance with proof of residence - Burst pipes and water leakages - Maintenance of street lights and high mast lights - Registration of indigents - Blocked sewerage pipes - High unemployment rate - Bad road conditions

	<p>10 March 2017, Moroto Trust, Thaba Nchu</p>	<p>Targeted Wards:41</p> <p>The Community was informed of the following:</p> <ul style="list-style-type: none"> • The mandate of the MPAC • The purpose of the meeting • What Annual Performance report entails • that notice of the meeting was given through print media and that the report was made available on the municipal website, municipal offices and libraries through print media. <p>Members of the community were provided with an opportunity to make inputs, comments and ask questions on the annual performance report.</p> <p>Urgent service delivery challenges that arose from the meeting are as follows:</p> <ul style="list-style-type: none"> - Financial support needed for agricultural activities - Assistance is needed with fencing of plots - Incomplete RDP houses - Access to water - No network - Dilapidated toilets - No high mast lights - Bad road conditions - Need for bridges in various trusts - High unemployment rate - Leaking water tank
<p>Working Session and Meeting with the Auditor General</p>	<p>Tuesday, 14 March 2017, at 10h00, 12th Floor, Bram Fischer Building</p>	<ul style="list-style-type: none"> • That a summary of all inputs would be forwarded to Members • Members deliberated on and provided inputs and recommendations on selected chapters of the Annual performance Report for the day; and also requested to forward their inputs for formulation of questions • that Members would forward their

MPAC Special meeting to consider final draft oversight report	Wednesday, 23 March 2017, at 10h00, 12 th Floor, Bram Fischer Building	<ul style="list-style-type: none"> That the final draft that was considered, as well as the quarterly report of the MPAC should serve at at the next council sitting.
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3. QUESTIONS EMANATING FROM THE ANNUAL PERFORMANCE REPORT

Pertinent questions arising from the Annual Performance Report, the findings of the Auditor General and submissions from the public were formulated and forwarded to the City Manager for verbal response at a scheduled public meeting as guided by section 129 (2)(a) of the MFMA. The questions were delivered to and received by the Office of the City Manager on 15 March 2017 and the meeting at which responses were tabled at a meeting convened as follows:

Type of a meeting	Date and Venue	Summary and Outcome
Responses and considerations to questions from the City Manager	22 March 2017, Indaba Auditorium	That the Acting City Manager would forward other supporting documentation and the Audit Action plan to MPAC by the end of business.

4. CHALLENGES AND PROPOSED SOLUTIONS

The table below indicates challenges faced and noted by the Committee during the oversight process to which proposed solutions are provided.

CHALLENGES	PROPOSED SOLUTIONS
<p>1. Non-compliance of the municipality with Section 127 (2) of the MFMA which provides that: <i>“The mayor of a municipality must, within six months after the end of the financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control.”</i></p> <p>2. As in previous years, service</p>	<ul style="list-style-type: none"> The tabling of the annual report resulted in the unplanned change in the schedule of meetings as approved by council and the oversight process being carried out over a short space of time due to time constraints to ensure that the oversight report is concluded timeously and tabled before council as required by section 129 of the MFMA. The Accounting Officer must therefore ensure that the City complies with all legislative requirements moving forward. Enhanced participation of Ward

<p>delivery challenges are raised at public participation meetings that are meant to solicit inputs from the community on the annual performance report.</p> <p>3. The non-inclusion of Soutpan and Naledi in the annual performance report has resulted in no oversight work being done on the performance of these two regions.</p> <p>4. Availability of copies of the Annual Performance Report in public libraries and municipal buildings</p>	<p>Councillors in simplifying and extensively engaging their communities on matters that are related to their wards within the report through public meeting in preparation for the public participation process.</p> <ul style="list-style-type: none"> • Providing ward specific information in terms of set objectives and actual performance would also assist Ward Councillors and the community in measuring the City's progress in delivering services and planning towards the IDP. Simplification of the content and translating it into some of the indigenous languages would assist the community in making valuable inputs. • That the reports be finalized and tabled before council for noting and referred to the MPAC as soon as possible • Documents were not placed at some public libraries and municipal buildings timeously, where placed only a few copies were made available for the public. This aspect of making the document accessible to the community needs to be improved.
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5. THE KEY FOCAL AREAS THAT REQUIRE INTERVENTION

The MPAC has received briefings from the Auditor General regarding the consolidated financial statements and performance of the City for the year under review. The following areas of performance are those that form part of the Auditor General's findings and have subsequently had an impact on the final audit opinion. These areas need to be addressed as a matter of urgency to prevent the City from regressing in terms of the overall performance of the City.

- Non-compliance by management
- Asset management
- Non-functionality of the Risk Management Component

- Non-reliability of performance information provided to the AG and turn-around time in terms of submitting required supporting documentation
- The lack of alignment of the organizational structure with the strategic objectives and goals of the municipality
- The under-spending of grants
- Poor consequence management
- Lack of a performance management system
- High vacancy rate in the Finance Directorate

6. CONCLUSION

The MPAC has dealt extensively with the annual performance report for the year under review. The Committee further commits itself to working hand in hand with all role players in working towards the attainment of a clean audit. The City has faced challenges during the year under review but has also made progress in creating a better life for all. Strengthened community participation is a factor that allows municipalities to get in touch with the needs of the general public and grants an opportunity to plan towards achieving the aspirations of our people.

7. RECOMMENDATIONS

Having thoroughly considered the contents of 2015/16 annual report and the findings of the Auditor General for the year under review, it is therefore recommended that:

- 7.1. In line with Section 129 (1) Council approve the annual report with reservations
- 7.2. That council pass the following resolutions of MPAC:

i. **Resolution 1 of 2017 - Asset Management:**

The Accounting Officer must implement a process of monthly review of all asset registers. This review process needs to be certified by the Chief Financial Officer (CFO) and confirmation thereof sent to MPAC for monitoring purposes and report back to Council. Certification of compliance to the monthly process has to be done by the last day of the financial quarter (thus 4 times a year) and sent to MPAC. The certification should include written representation by the CFO on the following matters:

- That all asset registers have been checked for completeness and reliability
- The progress that is being made and the decisions that are being taken with regards to resolving the issues reported by the Auditor-General of South Africa, in the stand alone audit report of the municipality, about the valuation of infrastructure assets;

ii. Resolution 2 of 2017 – Performance contracting:

The Accounting Officer and all the managers reporting to the Accounting Officer should sign a performance contract as per Municipal Systems Act. The performance agreement must be linked to the municipality's strategic objectives and be monitored every six months and they must be signed two months before the performance year period commences. The Accounting Officer should provide MPAC with copies of the signed 2016/17 performance contracts for every section 56/57 manager in the Metro including reasons if a contract is not available or is not signed by 30 April 2017;

iii. Resolution 3 of 2017- Unauthorised, irregular and fruitless and wasteful expenditure:

The Accounting Officer should implement monthly control processes that will ensure that the registers for unauthorised, irregular and fruitless and wasteful expenditure are updated on at least a monthly basis and should send the registers to the Chairperson of MPAC on a quarterly basis, by the last day of the month in which the financial quarter ends;

iv. Resolution 4 of 2017 – Action plan:

The Accounting Officer must design and implement an audit action plan informed by the findings from the office of the Auditor General for the preceding financial period by no later than the last day of February of each calendar year.

The action plan should be monitored on a quarterly basis. The accounting officer must provide MPAC with the audit action plan prepared for the 2015/16 financial year by 30 April 2017.

v. Resolution 5 of 2017 – Staff establishment and vacancy rates:

The Accounting Officer should ensure that the approved staff establishment of the metro is taken under review. This review should be done to ensure that the most optimal staff establishment is determined for the Metro given the incorporation of the Naledi municipality and Soutpan into the greater Mangaung Metro. The accounting officer should report to the Committee within six (6) months of the date of this resolution on the progress that has been made in this regard and on the approach that will be followed.

The Committee also wants a report from the Accounting Officer by 30 April 2017 on the incorporation of the Naledi personell into positions on the Metro establishment as well as a report that provides the Committee with detail pertaining to the previous Motheo District Municipality personnel and that set out the detail of the staff that was originally taken over and in which posts these persons have been appointed in the Metro establishment. The report should also indicate which of the personnel of the previous district municipality has not yet been appointed in Metro positions and provide the reasons for this.

vi. Resolution 6 of 2017 – Risk management:

It is noted with concern that the risk management function was not effective in the 2015/16 financial year. The Accounting Officer needs to address the weaknesses in the risk function with immediate effect and should implement control processes to ensure a functioning risk committee that meets at least the minimum number of times in a year.

The Accounting Officer should also update the control registers pertaining to ongoing investigations and provide the detail to MPAC by 30 April 2017 for monitoring purposes. All cases that have been investigated and for which reports are available should be finalised also by 30 April 2017 and the reports has to serve in council at the first opportunity after this date. Quarterly reporting on the functioning of the risk committee should be provided to the Chairperson of MPAC on the last day of the financial quarter that indicate the detail of the risk management meetings that took place during the quarter and the includes a copy of the minutes of each meeting.

vii. Resolution 7 – Management of performance information

The Accounting Officer should ensure that the draft policy on the Standard Operating Procedures for non-financial performance information is finalised and submitted to council for approval. The Accounting Officer should report back to MPAC on the progress that is made in this regard by 30 April 2017.

The Accounting Officer also has to prepare the technical indicator description of all key performance indicators and targets and send detail thereof to MPAC by 31 May 2017

Submitted by:

Cllr. G. Thipenyane
Chairperson: MPAC

Date: _____