



**WEST RAND
DISTRICT MUNICIPALITY**



GAUTENG
it starts here

Certified True Copy

OVERSIGHT REPORT ON THE 2017/2018 AUDITED ANNUAL REPORT ON WEST RAND DISTRICT MUNICIPALITY (WRDM) AND WEST RAND DEVELOPMENT AGENCY (WRDA)

**CERTIFIED A TRUE COPY OF AN EXTRACT FROM THE MINUTES OF
THE MEETING OF THE WEST RAND DISTRICT MUNICIPALITY, HELD
ON 28 MARCH 2019**

**N TUNDZI-HAWU
SPEAKER**

05 APRIL 2019

ITEM 23

***MUNICIPAL PUBLIC ACCOUNTS COMMITTEE: OVERSIGHT REPORT
ON THE 2017/2018 AUDITED ANNUAL REPORT ON WEST RAND
DISTRICT MUNICIPALITY (WRDM) AND WEST RAND DEVELOPMENT
AGENCY (WRDA)***

5/11/2/R

RESOLVED THAT:

1. The replacement of members be approved by Party whips be condoned and approved by Council as elected representatives in MPAC.
2. Cognisance be taken of the **Municipal Public Accounts Committee** report regarding the oversight report on the 2017/2018 Audited Annual Report.
3. The **WRDM Annual Report** for the financial year 2017/2018 be approved without reservations.



WEST RAND DISTRICT MUNICIPALITY



GAUTENG

it starts here

-
4. The **WRDA (Entity) Annual Report** for financial year 2017/2018 be approved without reservations.
 5. The Oversight Report be made public by the Municipal Manager in accordance with section 129(3) of the Municipal Finance Management Act, 2003.

ITEM:

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE: OVERSIGHT REPORT ON THE 2017/2018 AUDITED ANNUAL REPORT ON WEST RAND DISTRICT MUNICIPALITY (WRDM) AND WEST RAND DEVELOPMENT AGENCY (WRDA)

5/11/2/R

1. PURPOSE OF AN OVERSIGHT REPORT

The purpose of the report is to table to Council meeting the MPAC assessment report on the WRDM and WRDA 2017/2018 Annual Report.

2. INTRODUCTION

The 2017/2018 Annual Report was tabled in Council meeting on the 31 January 2019 in compliance with Section 127(2) of the Municipal Finance Management Act 2003(No 56 of 2003(MFMA) with requires that

- The mayor of the Municipality within seven months after the end of a financial year, table in the municipal Council the annual report of the Municipality.

Every Municipality must prepare an Annual Report for each financial year in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and the Municipal Systems Act (Act No 32 of 2000)(No 32 of 2003 a statement as to whether the Council Report

- 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

It is required in terms of section 129 (3) of the Municipal finance Management act, 2003 (No. 56 of 2003); the Municipal Manager must in accordance with Section 21A of the Local government: Municipal Systems Act, 2000 (No. 32 of 2000) make public the oversight report within seven days of this adoption.

MPAC ROLE IN ASSESSING ANNUAL REPORT

The oversight report of MPAC is to provide an analysis of the veracity of the report as compiled by administration. This verification process was done following the under mentioned process:

- Review of past recommendations on similar audit issues and the extent to which progress has been achieved.
- Departmental inputs on the compilation of the Annual Report (AR)
- Public Participation as per the legislative requirements through the IDP Review process and other platforms.
- To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.
- The processes as undertaken by MPAC in dealing with the Annual Report.

Council mandated the Municipal Public Account Committee (MPAC) to serve as an oversight committee to exercise oversight over the executive obligations of council to consider the Audited Annual Report as per resolution and in terms of Section 79 of the Local Government: Municipal Structures Act, 117 of 1998.

Audited Annual Report was referred to MPAC for oversight on the 31 January 2019.

3. BACKGROUND:

National Treasury developed MFMA circular 63 which is aimed at providing clear guidance to Municipalities and Municipal entities on the new Annual Report format and contents. Furthermore, the circular is also aimed at improving the processes taking place prior to the preparation of the Annual Report so as to improve quality and alignment of all strategic documents. It is important to note that circular 63 should be read in conjunction with circular 11: Annual Report Guidelines.

Municipalities are required to prepare an Annual Report for each financial year in accordance with the principles of the Act and MFMA circular 11 and 63 to provide a record of the activities of the Municipality, performance on service delivery budget implementation and promote accountability to the Local community.

All delegated Municipalities were work-shopped by the Gauteng Provincial Treasury (GPT) during May 2012, on the new Annual Report Guidelines. The AG, MPAC, Executive Mayors, Members of the Mayoral Committees and Audit Committees members were also trained on the new reporting requirements.

Municipalities welcomed the format and envisaged that, it will enhance transparent reporting and accountability. For the year under review, Municipalities were encouraged to develop its draft Annual Report in the new reporting template.

The Annual Report template and guidelines was developed with the aim of standardizing reporting to enable Municipalities to submit Annual Reports;

- Align financial and non-financial reporting in Annual Reporting;
- Create a standardized reporting structure that will enhance comprehensive oversight, meaningful evaluation and improved understanding of service delivery output;
- Ensure the standardization of terminology used in the Annual Reports; and
- To promote accountability to the Local community and other stakeholders.

The Municipal Public Accounts Committee (MPAC) is a forum through which the Council exercises an Oversight over the management and expenditure of Public Funds.

Council had to be able to provide assurance to the Public that indeed monies and assets are being managed and utilized properly and that value for money is being rendered by Public Sector Institutions in their spending of Public Funds. (Section 41(1) © of the Constitution States: All spheres of government and all organs of state within each sphere must provide effective, transparent, accountable and coherent government for the Republic as a whole. If Council through the Municipal Public Accounts Committee (MPAC) can provide this assurance, the confidence of the general public in the Municipality will be strengthened.

The Municipal Public Account Committee enables the Council, in respect of Financial Management, to fulfill its constitutional obligation to scrutinize and

oversee executive action. In a non-partisan fashion, the Committee conducts searching and rigorous assessments of financial administration in the spending of ratepayer's money and their stewardship over public assets in order to ensure regular, economical, efficient and effective local government spending.

4. (a) COMPOSITION OF THE COMMITTEE MEMBERS

1. Cllr. Brenda Mahuma	Chairperson (resigned)
2. Cllr. Velile Khumalo	Member(New chairperson)
3. Cllr. Nozipho Mapena Dlamini	Member (resigned)
4. Cllr. Doreen Davids	Member
5. Cllr. Thabo Mokuke	Member
6. Cllr. Kholeka Mandyu	Member
7. Cllr. Ben Van Der Berg	Member
8. ALD. Blackie Zwart	Member

4. (b). NEW COMMITTEE MEMBERS

1. Cllr Velile Khumalo	Chairperson
2. Cllr Doreen Davids	Member
3. Cllr Thabo Mokuke	Member
4. Cllr Kholeka Mandyu	Member
5. Ald Blackie Zwart	Member
6. Cllr Ben Van Der Berg	Member
7. Cllr Mlungisi Ndamase	Member
8. Ald Brain Blake	Member
9. Cllr Winile Njani	Member

The following officials assisted the committee with technical advice

1. Enoch Ngcanga
2. Angelina Kutoane
3. Patricia Ngubene (Intern)

5. MPAC COMMENTS AND RECOMMEDATIONS

No	Comments on WRDM
	Summary of comments on the 2017/2018 Annual Report
5.1	Executive Mayor’s Forward <ul style="list-style-type: none"> • It’s in line with the ART.
5.2	Municipal Manager Forward <ul style="list-style-type: none"> • Information is given as per the ART.
5.3	MPAC Comments on the Annual Report Note taken of the report of Auditor General that performance information classification is good.
5.4	Auditor General Report 2017/2018 Note is taken of the report of the Auditor General for 2017/2018 Financial year. It is noted with disappointment that the Municipality has not improved from unqualified to clean audit Recommendation’s by MPAC The committee is of the opinion that the matter relating to classification of the report, namely VBS investments and Supply chain Management activities and unauthorised expenditure matters should be seriously

	<p>addressed by management.</p> <p>A report is requested from the CFO detailing the progress made to address the abovementioned matters</p>
5.5	<p>Asset Management</p> <p>VBS investment finding ,the committee reserve their comment because the VBS matter is still subjudice</p> <p>Recommendation's by MPAC</p> <p>Awaiting final forensic report from Provincial government</p>
5.6	<p>Internal controls</p> <p>The committee note the weakness of controls within the Municipality</p> <p>Recommendations by MPAC</p> <p>Improvement of risk management assessment should be implemented timeously and also the implementation of OPCA as part of addressing all findings raised by Auditor General</p> <p>Quarterly report be sent to MPAC for monitoring purposes</p>
5.7	<p>Annual Performance Report</p> <p>Performance report is noted.</p>
5.8	<p>Annual Financial Statement 2017/2018</p> <p>Note is taken of the Annual Financial statements in respect of the 2017/2018 financial year. The Committee would comment on the following;</p>
5.8.1	<p>Material uncertainty relating to going concern</p> <p>The financial position of the Municipality at 30 June 2018 is unfavourable.</p> <p>It is the opinion of the committee that the Municipality is unable to</p>

	<p>continue as a going concern, unless adding revenue or grant funding is availed to the Municipality by Government.</p> <p>Recommendation's by MPAC</p> <p>Urgent intervention by Government is required and also enforcement of decisions taken by Council on unfunded mandates restoration of powers and functions that will alleviate the Municipality from its financial predicament.</p>
5.8.2	<p>Unauthorized expenditure reflected in the Annual Financial Statements of 2017/2018 amounting to R51 137 625 is unacceptable and should be seriously addressed.</p> <p>Recommendation by MPAC</p> <p>Investigation to be conducted and will be reported to Council.</p>
5.9	<p>Finance department</p> <p>Note is taken of risk areas. Finance is a high risk area that need urgent intervention, The Committee would comment of the following:</p> <ul style="list-style-type: none"> • Critical vacant positions within finance, that the current acting Chief financial officer(CFO) has responsibility for, i.e. budgeting ,income and expenditure control, supply chain management and that of acting CFO. • The compromising of internal controls and segregation of powers and functions within the finance department <p>Recommendations by MPAC</p> <p>Filling of critical vacant positions is important to create capacity within the finance department and the implementation of proper controls.</p>

Comments on WRDA	
5.10	<p>Annual Report</p> <ul style="list-style-type: none"> • That the Agency has improved in terms of complying with the format of writing Annual Report.
5.11	<p>Auditor General Report 2017/2018</p> <ul style="list-style-type: none"> • It's noted that WRDA the committee appreciate the improvement within the agency on arrears of activities.
5.12	<p>Internal Control</p> <ul style="list-style-type: none"> • The committee note the weakness of controls within the WRDA. <p>Recommendation by MPAC</p> <ul style="list-style-type: none"> • Improvement of risk management assessment should be implemented timeously and also the implementation of OPCA as part of addressing all findings raised by Auditor General. • Quarterly report be sent to MPAC for monitoring purposes.
5.13	<p>Annual Financial Statement 2017/2018</p> <p>Note is taken of the Annual Financial statements in respect of the 2017/2018 financial year. The Committee would like to appreciate the financial statements, there are no materiality matters raised by AGSA.</p>

6. West Rand Regional Audit outcomes 2017/2018 from Auditor General

(See attached **Annexure A**)

6.1. CONSULTATIVE PROCESS

1. AGSA and MMC finance (See attached register **Annexure B**)

2. WRDA Acting CEO (See the attached register **annexure C**)

3. WRDM acting CFO and Municipal Manager (See attached register annexure D)

7. MPAC COORDINATION ROLE ON LOCALS

7.1 FUNCTIONALITY: WEST-RAND DISTRICT MUNICIPALITY

- ❖ An MPAC committee is functional with 08 members including the elected Chair and 02 support staff.
- ❖ The District has established the Chairperson's forum to co-ordinate and share experiences.
- ❖ The District Support Staff has also coordinated the evaluation of Annual Reports of all Municipalities.
- ❖ A Region wide workshop on MPAC toolkit has been conducted by SALGA, COGTA and TREASURY at WRDM offices.

7.2 FUNCTIONALITY: MOGALE CITY

- ❖ The Municipal Public Account Committee (MPAC) has been re-established ,with 13 members including Chairperson and 02 support Staff
- ❖ Mogale City received unqualified with significant findings audit report on this financial year.
- ❖ The oversight report for 2017/18 it's going to be table in Council before the end of March 2019.
- ❖ The Committee have been undergoing hearing with different departments.

7.3 FUNCTIONALITY: RANDWEST LOCAL MUNICIPALITY

- ❖ There has been re-elected the new chairperson.
- ❖ The 2017/18 Oversight Report will be tabled to the Council by the 31 March 2019
- ❖ Randwest received unqualified with significant findings opinion.

FUNCTIONALITY: MERAFONG LOCAL MUNICIPALITY

- ❖ An MPAC committee is functional with 11 members and 01 support staff
- ❖ Merafong Local Municipality received unqualified audit with significant findings opinion
- ❖ The 2017/18 Annual report will be tabled to the Council before the end of March 2019

RECOMMENDATIONS:

- a) The replacement of members by Party whip be condoned and approved by council as elected representatives in MPAC
- b) That cognisance be taken of the **Municipal Public Accounts Committee** report regarding the oversight report on the 2017/2018 Audited Annual Report.
- c) That the **WRDM Annual Report** for the financial year 2017/2018 be approved without reservations.
- d) That the **WRDA (Entity) Annual Report** for financial year 2017/2018 be approved without reservations.
- e) That the Oversight Report be made public by the Municipal Manager in accordance with section 129(3) of the Municipal Finance Management Act,2003