



2011/12 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OVERSIGHT REPORT

1. INTRODUCTION

Vhembe District Municipality Council has established the Municipal Public Accounts Committee (MPAC) in terms of Section 79 of the Municipal Structures Act 117 of 1998. The Committee is established to assist the Council to perform its functions or exercise its powers. MPAC assists council to hold the executive to account and to ensure the efficient and effective use of municipal resources.

The following are members of the MPAC:

Councillor Denge L.A. - Chairperson

Councillor Mathalise L.M.

Councillor Ligege T.S.

Councillor Tshibvumo G

Councillor Mariba MJ

Councillor Tharaga M.D

Councillor Mahasela M.C

Councillor Malange R

Councillor Tshivhase R

Thovhele Mulema

Some of the primary functions of MPAC are as follows:

- To consider and evaluate the contents of the Annual report and to make recommendations to Council when adopting an oversight report on the annual report.
- In order to assist with conclusion on matters that may not be finalized, information relating to the past recommendations made on the Annual report must also be reviewed.

- To examine the financial statements and audit reports of the municipality and in doing so the Committee must consider improvements from previous statements and reports; and must evaluate the extent to which the Audit Committee and the Auditor General's recommendations have been implemented.
- To promote good governance, transparency and accountability on the use of municipal resources.
- To recommend any investigation in its area of responsibility and
- To perform any other function assigned to it through a resolution of the Council within its area of responsibility.

It is in view of the aforementioned that MPAC considered and evaluated the content of the Annual Report to arrive at the conclusions and recommendations to the Council as outlined in this report.

The following are the activities and processes followed in considering and evaluating the content of the Annual Report to arrive at the recommendations:-

- Several meetings were held by MPAC to go through the Annual Report. Each chapter was interrogated very extensively together with any supporting information and/or annexure with a view of ensuring that the report covers financial performance and linkage to the strategic goals in the Integrated Development Plan. (MFMA Circular No.11 and 32 served as reference material in this regard)
- Engagements with management through written questions, written responses by management and formal meetings to seek further clarities.
- Visiting of selected capital projects by MPAC to get first-hand information and to check the impact of those projects introduced to communities who were intended to benefit.
- Revisiting of MPAC, Audit Committee and Auditor General's reports and recommendations for the previous financial year (2010/11)
- Evaluate the improvement in the current financial year (2011/12) with specific reference to mid-year budget performance assessment report.

2. 2011/12 ANNUAL REPORT

2.1. CHAPTER 1: INTRODUCTION AND OVERVIEW

2.1.1. The Annual Report was found to be in line with the requirements of MFMA Circular No. 11 from National Treasury.

2.2.CHAPTER 2 PERFORMANCE HIGHLIGHTS

The committee noted and commend management on the expenditure on capital programmes. Expenditure on capital projects improved from 65% in 2010/11 to 79% in 2011/12 .The committee also looked at the current year (2012/13) half year budget assessment report and found that 44% has been spent on capital programmes as compared to only 18% which was spent the previous year during the same period ,This improvement come as a result of implementation of previous year MPAC findings and recommendations.

PROJECTS VISITS

MPAC visited three projects as part of oversight role ,namely Tshikhundini water reticulation and Shayandima extension 9,10,and 11 water reticulation Phase 2B.The purpose of the visits was to go and physically observe progress made in the project ascertain the status of the projects and determine challenges (if any) that have the potential of causing service delivery challenges to the communities

PROJECT 1 TSHIKHUDINI WATER RETICULATION.

CONTRACT AMOUNT : R46 349 302.49

Description.

Construction of 200mm,160mm and 110mm gravity main from R9Ato Budeli,Makhuvha and Mutoti,Construction of 315mm bulk line to Mphego

reservoir ,water reticulation at Tshikhudini to yard connection level and elevated steel tank at Makhuvha village and reticulation.

FINDINGS

The project was found to be implemented very smoothly and physical progress was found to be at 78.8% as compared to time elapsed of 57.5% Quality of workmanship was found to be of acceptable standard .The report reflected that a sizeable number of local labourers have also benefited on the project.

PROJECT 2: SHAYANDIMA EXTENSION 9 , 10 AND 11 WATER RETICULATION PHASE 1B

Contract AMOUNT: R17 886 852 .80

Description.

The extents of works are:

Construction of a 7.5MI Concrete Reservoir, Security fence and a Guardhouse.

FINDINGS

- 1.The project 's time has lapsed ; the project completion date is long overdue
2. Out of the project budget of R 17 886 852.80 only R8 640 202.36 has been spent to date .This means that the project is now at 48.3% expenditure.
3. As MPAC,we can confirm that there is construction of a reservoir going on, but moving at a very slow pace (chameleon pace).This amounts to service delivery delay.
4. We made an observation that ;the contractor has been struggling to provide the necessary materials on time for the project construction.

5. We also uncovered that there has been an intensive rock blasting process, which has also minimally contributed to the delay of the project construction.

6. We have made an observation, that the quality of the project has been maintained according to the project tender specifications. (The engineers confirmed this as well).

7. We made an observation that the contractor is now on penalties, because of our delays.

8. The other observation that we made is that the reservoir that is being constructed is 7.5 ML and it is just next to another reservoir which is double its size, and that it will be getting its share of water from the bigger reservoir.

9. In conclusion MPAC resolved the following:

9.1 MPAC resolved that both parties involved in the project should agree on a final completion date which date should be within this financial year

9.2 That MPAC will conduct follow up visits to the project to ensure that the project does not suffer any further delay

PROJECT 3 THOHOYANDOU WASTE WATER TREATMENT WORKS PHASE 2

CONTRACT AMOUNT: R 36 400 403.96

Construction of: Primary setting Tank (PST), 2x biological filters, humus tank, chlorine contact channel and chlorine dosing building, digester and sludge drying beds, associated pipe work and pumping equipment, roads and storm water facilities.

FINDINGS

The project was found to be 99% complete against the time elapsed of 115.6% .

The contractor is currently on penalty .The project was supposed to have been completed on December 2012.The delay was said to have been caused by the challenges with delivery of reinforcement due to strike in the steel industry and the delay in the delivery of stone for the bio filters.

CONCLUSION

The quality of work is up to standards

2.3.CHAPTER 3

HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

It was encouraging to note that the Annual Report contains the organisational structure as opposed to the previous year where the organisational structure was included only after the recommendations by MPAC.

Regarding the budgeted positions which were not filled during the year ,it is again encouraging to note that management is busy filling all the vacant positions including those of the water services directorate which is a core function of the municipality.

2.4.CHAPTER 4: AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION.

This section should be read together with the Auditor General report hence MPAC decided not to repeat the issues as raised by the Auditor General.

It is disturbing to note that the Auditor General opinion on our audit transgressed from qualified to that of a disclaimer. This opinion should seriously worry this council and therefore the following critical questions have to be answered.

- Are the findings by the AG all new or are they recurring findings or both?

- If they are all recurring, are there any tangible efforts to improve on the previous audit findings?
- Does the council has an action plan to implement resolutions to findings of Auditor General?
- Is the action plan credible enough to show precisely by when, by who, progress to date, etc?
- Since the beginning of audit by the AGSA around October 2012, how much have been done to deal with current years findings?
- How much are we doing to remedy /correct the situation?

Clearly the above questions are serving as an introspection to each one of us in this institution. Clearly all of us are not properly playing our expected roles in this regard and this is the reason why the overall rating to all the above questions is poor. Accountability appears to be non existent and there is no consequence for poor of non performace.

The Auditor General expressed a disclaimer of opinion as his office was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion . Accordingly .he could not express an opinion on the Financial Statements.

More worrying is that except for new findings the current audit findings are exactly the same as those during the previous audit.

MPAC identified the following factors as the critical causes of the negative audit opinion :

- Lack of technical knowledge with regard to the implementation of new accounting standards and legislation in most of the directorates in the municipality.
- Lack of monitoring and control across all activities .AGSA rated the municipality poor on the internal control system.
- Lack of positive culture and attitude by most employees.

- Resolutions and recommendations by various council committees are generally not adhered to nor implemented.
- Applicable laws and regulations are generally not adhered to.

2.5.CHAPTER 5: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

The Auditor General also gave the municipality a disclaimer on performance management for the following reasons:

- The IDP and SDBIP did not agree.
- The predetermined objectives were found to be not smart.

3. RECOMMENDATIONS

In view of all the above mentioned, MPAC would therefore strongly recommend the following:

- 3.1 That the annual report be approved as it complies with all requirements.
- 3.2 That the Auditor General Report action plan be a standing item in all portfolio Committees ordinary meetings with immediate effect and that it be improved to indicate clear timelines and deliverables.
- 3.3 That MPAC be provided with progress report on the implementation of the Auditor General report action plan by latest the 10TH of each month (portfolio of evidence will sometimes be requested).
- 3.4 All irregular, fruitless and unauthorized expenditures be investigated and a detailed report be submitted to council for consideration and that all future such expenditures should be investigated before condonation.
- 3.5 The municipality should review the skills level of its workforce and if need be ,ensure that each employee is placed to the position appropriate to his

/her skills (A significant culture shift and attitude is required at the various levels of skill force in the municipality.

4. CONCLUSION:

It is very clear from the report that in order for the municipality to get a clean Audit Report; all structures in the municipality systems must play their role appropriately without any compromise. MPAC would like to assure Council that implementation of all agreed actions and recommendations will be monitored on a regular basis; and report submitted to Council at least on a quarterly basis.

5. APPRECIATION:

MPAC wishes to thank management for the cooperation shown during interrogation of the committee findings and the way written and oral responses were articulated. The committee would also like to assure Council that the spirit shown by management; if sustained; will take this municipality to a clean audit by 2014. Finally MPAC wish to welcome the new CFO who has already shown to be very energetic and we would like to declare our full support at all times.

IT HAS TO BE BUSINESS UNUSUAL

On behalf of MPAC

**CLLR DENG L.A.
MPAC CHAIRPERSON**

DATE