

# **MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

## **OVERSIGHT REPORT ON THE 2015/2016 ANNUAL REPORT**



**REPORT DATE : 30 March 2017**

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## **MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEMBERS**

<b>NO</b>	<b>NAMES</b>	<b>GENDER</b>	<b>ROLE</b>
1.	<b>CLLR. MAKHOMISANI S.E.</b>	<b>Female</b>	<b>CHAIRPERSON</b>
2.	<b>Cllr. Rambuda S.</b>	<b>Female</b>	<b>Committee Member</b>
3.	<b>Cllr. Matamela S.</b>	<b>Female</b>	<b>Committee Member</b>
4.	<b>Cllr. Masithi J.</b>	<b>Female</b>	<b>Committee Member</b>
5.	<b>Cllr. Tharaga M.D.</b>	<b>Male</b>	<b>Committee Member</b>
6.	<b>Cllr. Mafhala N.A.</b>	<b>Male</b>	<b>Committee Member</b>
7.	<b>Cllr. Madzunya E.</b>	<b>Male</b>	<b>Committee Member</b>
8.	<b>Cllr. Madzhiga F.N.</b>	<b>Male</b>	<b>Committee Member</b>
9.	<b>Hosi Mukhari</b>	<b>Male</b>	<b>Committee Member</b>

### **MPAC SUPPORT STAFF**

<b>NO.</b>	<b>NAMES</b>	<b>ROLE</b>
1.	<b>Ramugumo P.C.</b>	<b>Acting MPAC Coordinator</b>
2.	<b>Muanalo R.A</b>	<b>Student Trainee</b>
3.	<b>Mudau M.</b>	<b>Student Trainee</b>

## CHAIRPERSON'S FOREWORD

In accordance with MFMA and MSA, each municipality is required to comply by preparing an annual report for each financial year.

Annual report is a key reporting instrument for a municipality. It is meant to be a backward- looking document focusing on performance in the financial year that has just ended. Annual Report must demonstrate how the budget was implemented and also the results of service delivery operations for that financial year.

The Committee would like to thank Council together with the administrators for complying with Sec 46 of Local Government Legislation Municipal Systems Act No. 32 of 2000 and Sections 121-127 of MFMA no 56 of 2003.

The annual reporting also acts as an opportunity to cement our relationship with the community and other stakeholders. Let us realign our performance plan and resolve our failures by this we will be able to move to a better audit opinion and also restore our image in the community and our stakeholders at large.

Today's exercise and its outcome will assist the Council to take step back and assess the state of affairs in the institution and will also assist the Council to adopt/reject or defer the presented Draft Annual Report.

## LEGAL FRAME WORK

The oversight report is compiled in terms of Section 129 (1) of the Municipal Finance Management Act, No. 56 of 2003 which reads as follows: "*The council of a municipality must consider the annual report of the municipality and of any municipality 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
- c) Has referred the annual report back for revision of those components that can be revised".

Section 129 of the Municipal Finance Management Act requires a municipality to prepare an oversight report over the annual report and to publish the same.

## **CONCERNS**

**The basis of our disclaimers is repeated findings such as incorrect opening balances; record keeping and consequence management not applied. Below are concerns that the committee is highlighting for the Councils attention:-**

1. Document Management or Record keeping in the institution is of grave concern, It has been a repeated finding for several years and has had a great impact on audit opinion.
2. Losses resulting from Unauthorised, Irregular and Fruitless and Wasteful Expenditure were not recovered.
3. Asset Register is not maintained properly no updated
4. Revenue Enhancement Strategy is key to the growth of the institution and service delivery to community however is not being addressed at a satisfying pace.
5. The Action plan could not provide detailed procedures to be implemented to address the basis of disclaimer opinion.

## **RECOMMENDATIONS**

**We as oversight committee, having fully considered the 2015/16 Draft Annual Report of Vhembe District Municipality, hereby recommends the following:-**

1. **That the Oversight Report be adopted**
2. **That the Draft Annual Report of 2015/2016 financial year be adopted with reservations due to the above mentioned concerns and below mentioned recommendations achieved and monitored closely.**
  - 2.1. **Each unit has an assigned officer for Document management and that the copy of document management strategy be submitted to MPAC.**
  - 2.2. **Revenue enhancement Strategy be implemented as soon as possible and MPAC office be provided with a copy thereof.**

- 2.3. That before documents are submitted to Mayoral and Council each portfolio should thoroughly scrutinize on all compliances.**
- 2.4. Asset register to be updated and disposal of assets be actioned.**
- 2.5. All invoices to be paid within stipulated time period in compliance with MFMA. (Proper Expenditure Management).**
- 2.6. That consequence management be applied as per Municipal Finance Management Act Section 32 of Act 56 2003.**
- 2.7. That Action Plan be a standing item in Senior Management Meetings; Audit Committee; Internal Audit Steering Committee; Portfolio Committees; Mayoral Committee and as well as Council sitting. Monthly Report on action plan be submitted to MPAC.**
- 2.8. That findings as addressed in Public Hearing be implemented as committed.**

**In accomplishing or implementing the above mentioned this Council will stand a better chance of obtaining favourable audit opinion henceforth. This simply means all committees we should work hand in hand.**

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**VHEMBE DISTRICT MUNICIPALITY  
MPAC CHAIRPERSON  
CLLR: MAKHOMISANI S.E.**

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**DATE**

# ANNEXURE A

## SCHEDULE OF ACTIVITIES LEADING TO OVERSIGHT REPORT

1. Distribution of Annual Report to Members and Stakeholders	02 /02/17
2. Training on Annual Report Process	17/02/2017
3. Discussing and Scrutinizing the Annual Report. Formulation of Questions (+- 3 days)	26/02/2017 - 01/03/2017
4. Unplanned and Planned Project site visits	06/03/2017 – 08/03/2017
5. Submission of Questions to Executive	14/03/2017
6. Responses from Executive & Attending to Responses	22/03/2017
7. Public Participation	23/03/2017
8. Public Hearing	28/03/2017
9. Compilation of Oversight Report	29/03/2017
10. Tabling of oversight report to Council	30/03/2017
11. Publication of Oversight Report (Website etc.)	Within 7 days of adoption of report
12. Submit to Provincial stakeholders	Within 7 days of adoption of report

# **ANNEXURE B**

## **PUBLIC PARTICIPATION INPUTS**



**On The 23<sup>rd</sup> March 2017 Public Participation on 2015/2016 Annual Report was conducted.**

**Her Worship Executive Mayor formally presented the 2015/2016 to all stakeholders.**

**Stakeholders in turn were given an opportunity to present their inputs/comments/questions.**

**Below are inputs/comments/questions received from the stakeholders:-**

1. Better Communication with business forums was requested to be improved.
2. Houses are being built in flood lines areas and also new residential in rural areas the roads are not clearly demarcated and compromise service delivery especially during disaster periods.
3. Why Musina community is not benefitting from the Sports and Arts and Culture budget?
4. Why is EPWP programme not continuous? And also EPWP at Musina vanished without paying the workers.
5. The area of resident of the community member is 12km from Limpopo river, Why did it take +- 3weeks to receive water? When making follow-ups they are informed that VDM is the water authority, How about the water function to be sent back to Musina Local Municipality? As well as the mosquito controlling programme.
6. Since 2012 Sibasa area has only been receiving water at specific times only (5am -10am) which is not sufficient or in order. How is the issue going to be addressed?
7. Having heard that the municipality has received a disclaimer audit opinion, what is the meaning of this opinion and since receiving this opinion how is the municipality operating?
8. It is being reported that LED and EPWP programmes have been overachieved yet on the other hand there is shortage of staff, how about solving it through EPWP.
9. The Risk Management mentioned in the report when will it implemented? And is the programme well capacited?
10. Since only 2014 meters in the said financial year and that we are migrating from rural status to urban status. How about incorporating volunteers to assist thereby solving the understaffed issue?
11. Is there a programme in place to migrate from communal taps to standpipes?
12. The reported Sanitation of R4m when will it be implemented and how will the communities be included in the programme?
13. Fire training reported herein what are the resources needed? And was the training accredited?

## RESPONSES ON THE ABOVE INPUTS

1. Business Forums are critical stakeholder of the municipality more effort to involve them will be conducted. All forums should not merely exist they should add value to the District. Recently we had a session with Transport Forum as previously both our plans were not synergised.
2. Executive Mayor was requested to address the matter with Local Municipalities.
3. With regards to budget of sport arts and culture VDM is just a coordinator structure. Sector Department of Sport, Arts and Culture are custodians of the programme and the bulk budget. VDM's budget is minimal and is only for specific items/projects such as Mayoral tournament and Achievers awards allocated R500k; School of Excellence R5k; Transport to tournaments R70k.
4. EPWP is also sector Department – Public Works Department, the district is coordinator and implementer thus we are not able to make those vacancies permanent. South African law protects all, no one is to be hired and not receive their due wages even if it is a maid. What needs to be established is that was the EPWP programme conducted by the Local Municipality or the District, we kindly request that more details on this project be furnished to the Acting Municipal Manager so the matter should be investigated further.
5. We dearly apologies to the community of Musina for such an inconvenience. This was caused by over flooding of the river and the boreholes which are sunk in the middle of the river were overwhelmed and couldn't operate. Water status is an complicated issue which being addressed. Shortage of staff to issues such as water leaks is not an excuse, we kindly request that such issues should be reported immediately. Mosquito controlling programme we need to assess it on how best the programme should be addressed.
6. It is our mandate to deliver water to the people. The area is serviced by Vondo Scheme which currently has challenges. The status of this project – Technical report for refurbishment has been approved by our sector department DWA, It's a major refurbishment project worth R360m which translate to that it has to go thru several phases before implementation, however it is estimated to be implemented by 2018. We plea with the community at large to be patient and if there are challenges let us work them out together, destruction of properties we condemn it.
7. Disclaimer is an audit opinion issued by the Auditors after having assessed the institutions performances, in this case our auditors are Auditor General of South Africa.
8. Risk manager vacancy has been advertised to address the risk programmes.
9. The Institution is working hard in migrating from communal pipes to stand pipes, however without the communities' structure meeting us halfway the process will be slow. Communities that are ready should feel free to consult the institution so they can be assisted.

10. Fire trainings that the district conducts are merely for empowering the communities so that when they are faced with such disaster then they are able to handle the situation.

# **ANNEXURE C**

# **PROJECT SITE VISITS REPORT**

		<b>AWELANI ECO-TOURISM</b>	<b>NZHELELE RWS: TSHEDZA/TSHIFHIRE AND WEIRS</b>	<b>NANDONI RWS BULKLINE FROM NN20B TO MALAVULE: CONTRACT 1 TO 3</b>	<b>DAMANI RWS: UPGRADING OF DAMANI WATER TREATMENT WORKS</b>
<b>1. PROJECT VALUE</b>		R1 962 880.02	R45m	31m	27m
<b>2. Local Municipality were project is built and village serviced</b>		MUSINA Tshikuwi/Dovho/Bileni/ Mutele/ Masisi/ Mutele/	THULAMELA Khalavha/ Gudumabama/ Mailula/ Murungwa/ Mutswana/ Tshedza/Vuvha Makatu/ Magolini/ Tshavhalovhedzi/ Tshithuthuni/ Mamuhoyi/Tshikombani/ Tshivhiludu Dzumbathoho Tshitavha/Fondwe/ Mudunungu/Mandala/ Tshirenzheni	THULAMELA Mukomaasinandu/ Tshamutlikwa/ Malamangwa/ Gondoni/ Tshamutavha/ Vhudimbilwi/Malavuwe/ Mbahe/ Matsika/	THULAMELA Damani/Tshipako/ Khubvi/ Tshidimbini/Muhuyu/ Matangari/Thenzheni Mukula
<b>3. Is the Project Servicing the Community</b>		YES	YES	Partially	Yes
<b>4. Challenges with regards to payments</b>		Late payment by VDM to the Service Provider.	Late payment by VDM to the Service Provider.	NONE	Variation Orders Multiple Contractors
<b>5. Challenges from the community</b>			Tshirenzheni refusing to drink borehole water	Fence Vandalised	Damani residents didn't want other community members to be employed.
<b>6. Comments</b>		Environment is clean And project running well Shortage of staff	Poor Planning or Design Illegal Connections Community from Varara not receiving water	Only communal stand pipes working Stand pipes not installed Revenue collection plan to be implemented.	Generator not connected to the pumps.

# **ANNEXURE D**

# **PUBLIC HEARING**

QUESTION	RESPONSE
<b>1. ANNUAL SDBIP REPORT</b>	
<b>Priority Focus Area: 1.2</b> What was the reason for poor performance?	The activity was not undertaken, due to budget constraints.
<b>Priority Focus Area: 1.2. Sanitation –</b> What was the funding method of R45m, what is the status for revenue enhancement strategies to improve revenue collection? Is the municipality collecting revenue from sanitation –VIP Toilet?	<ul style="list-style-type: none"> <li>• Funding Method – own funding;</li> <li>• The municipality has developed a revenue enhancement strategy but it was not implemented. The strategy is focusing on water revenue only hence implementation was delayed. Municipality is in the process of developing a comprehensive strategy that should focus on expansion of revenue streams of the municipality</li> <li>• VIP Toilets is a basic sanitation system, which is provided to qualifying indigents. No revenue collected.</li> <li>• Sewerage reticulation – currently no collection or billing for sewerage, it will be billed in future for consumers with access to sewerage reticulation</li> </ul>
<b>Priority Focus Area: 2.1.</b> What is the status of filing the positions?	Posts for CFO and GM Technical Services are now filled. Interviews for Municipal Manager's post have been conducted and appointment is awaited. The post for GM Corporate Services has been advertised.
<b>Priority/ Focus Area: 2.5.</b> Why Upgrading of LAN was not done inhouse, R2.2m was budgeted for this area why was it not implemented? What is the progress status?	Upgrading of LAN is done by service providers with the necessary expertise. The R2.2 million was not spent due to budget constraints. The project has been budgeted for in the 2017/2018 budget.
<b>Priority Focus Area: 2.6.</b> Is the Training Committee functional? What are future plans in training Councillors?	The training committee is functional. Training of councillors on Municipal Governance NQF Level 5 has been planned for the 2017/18 financial year.
<b>Priority Focus Area: 2.7.</b> Why has LLF not met its target?	The LLF could not reach its target of meetings due to labour unrest which started in November 2015 and lasted until January 2016
<b>District Economic Profile –</b> What is the current status of the programme?	The Economic profile of Vhembe District is available in the rural development strategy which was completed in previous financial year.

QUESTION	RESPONSE
	The LED forum and Economic clusters have been revived and functional. During the previous financial year LED forum meetings were not co-ordinated due to financial constrains but economic issues were dealt with through IDP Rep forum meeting.
<b>SMME</b> - Has the MOU been amended? If so, has it been signed and implemented?	The MOU has been signed and it is being implemented; two interns have been placed in the LED section
<b>Agricultural</b> – R370k was budgeted what prevented the project from being implemented?	The two programs which were not implemented were Youth in business competition and Female farmer of the year competition. The reason for not implementing them was due to lack of liquid cash
<b>Tribunal</b> – Tribunal Training have they been completed?	<ol style="list-style-type: none"> <li>1. Council of Vhembe District Municipality has in terms of council resolution number 08.15.09.39 as guided by the provisions of Section 35(1) of the Spatial Planning and Land Use Management Act 2013, (Act No.16 of 2013) appointed the following persons to be members of the Municipal Planning Tribunal for a term of 2 years with effect from 01 July 2015. Manaso Howard Maimela (Chairperson)</li> <li>2. Nare Julia (Deputy Chairperson)</li> <li>3. Dlayani Justice Khosa (Member)</li> <li>4. Chauke Phineas Khazamula (Member)</li> <li>5. Nwendamutswu Nthangeni (Member)</li> <li>6. Avhatendi Bethania Maiyana (Member)</li> <li>7. Ravele Shonisani Onismus (Member)</li> <li>8. Mathomu Constance Ngaledzani (Member-VDM)</li> <li>9. Nemadzhilili Humbelani Abednigo (Member- Thulamela Local Municipality)</li> <li>10. Tshivanammbi Thovhedzo Nathaniel (Member- Musina Local Municipality)</li> <li>11. Nefumembe Pfarelo Norman (Member- Mutale Local Municipality)</li> </ol>



QUESTION		RESPONSE																																									
<p><b>SPLUMA</b> – Kindly Breakdown the budgeted and expenditure amounts</p>		<table border="1"> <thead> <tr> <th colspan="2">ACTIVITY</th> <th colspan="4">BUDGET</th> </tr> </thead> <tbody> <tr> <td colspan="2">Sitting Allowance</td> <td colspan="4">R250 000</td> </tr> <tr> <td colspan="2">TRAVELLING Allowance</td> <td colspan="4">R150 000</td> </tr> <tr> <td colspan="2">Training Of Members</td> <td colspan="4">R80 000</td> </tr> <tr> <td colspan="2">Accommodation PMT Members</td> <td colspan="4">R 20 000</td> </tr> <tr> <td colspan="2"><b>TOTAL</b></td> <td colspan="4"><b>R 500 000</b></td> </tr> </tbody> </table>						ACTIVITY		BUDGET				Sitting Allowance		R250 000				TRAVELLING Allowance		R150 000				Training Of Members		R80 000				Accommodation PMT Members		R 20 000				<b>TOTAL</b>		<b>R 500 000</b>			
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b	<p><b>Environment Management</b> – There is a variance of 1 and yet the remainder of the budget is half of the original budget? Why is this?</p>	<p>The variance of 1 environmental management programme is due to unavailability of liquid cash. Evidence to this is as per the reason given to the approved SDBIP for poor performance of the target</p>																																									
	<p><b>GIS Awareness</b> – Has this been budgeted for the next financial year? What is the progress to date?</p>	<p><b>The awareness has been budgeted for R200 000 and the scheduled to date are as follows: 19 &amp; 20 April 2017 as per agreement with the department of education</b></p>																																									
	<p><b>Road Safety</b> – Road safety is one of the critical service, R50K has been budgeted for. Why <b>only R708.57</b> was spent and yet targets have been met whereas campaigns were not conduct .....</p>	<ul style="list-style-type: none"> <li>• R50 000.00 was only budgeted for public Transport Month only not Road Safety as reported, The Transport Road Safety have been budgeted for 300 000.00</li> <li>• The total Transport budget was R350 000.00 as shown below</li> <li>• One road safety activity (Festive season road safety) was not conducted due to cash flow problems (no Liquid cash)</li> <li>•</li> </ul> <table border="1"> <tbody> <tr> <td>Ensure functionality of public transport forums</td> <td>No. of public transport forums</td> <td>No. of public transport forums</td> <td>4</td> <td>4</td> <td>4</td> <td>Development Planning</td> </tr> <tr> <td>Conduct public transport programmes</td> <td>Public transport month</td> <td>No. of Public transport month</td> <td>1</td> <td>0</td> <td>0</td> <td>Development planning</td> </tr> <tr> <td></td> <td>Festive season Road Safety Operati</td> <td>No. of Festive and Easter Road</td> <td>2</td> <td>1</td> <td>1</td> <td>Development Planning</td> </tr> </tbody> </table>						Ensure functionality of public transport forums	No. of public transport forums	No. of public transport forums	4	4	4	Development Planning	Conduct public transport programmes	Public transport month	No. of Public transport month	1	0	0	Development planning		Festive season Road Safety Operati	No. of Festive and Easter Road	2	1	1	Development Planning															
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QUESTION		RESPONSE				
		ons Launch	Safety Operati ons Launch			
		Easter Road Safety Operati ons Launch				Develo pment plannin g
						TOTAL

R  
300 000  
.00  
R350  
00.00

QUESTION	RESPONSE
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**IDP Rep Forums** – The Forums for the next financial year have they been properly budgeted for?

**It has been budgeted for as per the following 2016/17 IDP activity plan**

Deliverables	Activity	Indicator	
Integrated Development Planning	Stakeholders engagements/ Public participation	No. of notices issued	3
		IDP Rep Forum	4
		IDP/Budget Public Consultation	4
		IDP Working Session	4
	IDP Document	No. of IDP developed	1
		No. of IDP Framework	1
		No. of Process plan	1
		Corporat	1
<b>Total</b>			
<b>Deliverabl</b>	<b>Activity</b>	<b>Indicator</b>	<b>I</b>

QUESTION	RESPONSE
<p><b>Prior/ Focus Area: 4.1.</b> – Original Budget was R50 000 and yet expenditure is at R530 000. Explain why?</p>	<p>The item was under budgeted and the Service Provider was appointed in 2014 to develop Air Quality Plan and the process was completed in June 2016. Additional funds were sourced through virement.</p>
<p><b>Pre Audits</b> - Why was Treasury not requested to assist at the time?</p>	<p>During the year under review, Provincial Treasury was contacted to assist the municipality. Provincial Treasury provided support to the municipality by seconding the Acting Municipal manager and Chief financial officer. In addition to secondment, Provincial treasury is also invited to provide guidance during governance meetings where Audit challenges are discussed</p>
<p><b>Revenue Enhancement Strategy</b> - What is the progress to date?</p>	<p>Priority/Focus Area: 6.2. – Revenue Management. The municipality has developed a revenue enhancement strategy but it was not implemented. The strategy is focusing on water revenue only hence implementation was delayed. Municipality is in the process of developing a comprehensive strategy that should focus on expansion of revenue streams of the municipality</p>
<p><b>Billing</b> - Debt Collection is this done in house? Is interest charged on unpaid/outstanding bills?</p>	<p>The municipality collects outstanding debts from customers in house, however for long outstanding debts (debts older than 90 days) a consultant has been appointed during the year under review for recovery purposes. Interests are charged on outstanding debts or balance.</p>
<p><b>Priority/Focus Area:6.3.Expenditure Management</b></p>	
<p>Expenditure report shows that all has been met however this contradicts with AG Report. Explain why?</p>	<p>Invoices were paid beyond 30 days which is in violation of the MFMA. This was caused by poor cash flow management, Late submission of tax invoices by Service providers and Submission of invoices to the user department which delayed processing of payments by finance section. The municipality has since corrected this by ensuring that all invoices are submitted to a central place and recorded upon submission. The municipality has committed to processing payments within 30 days of receipts.</p>
<p>Kindly explain the reason for poor performance?</p>	<p>Poor planning on Project and late approval of technical reports by sector departments.</p>

QUESTION	RESPONSE
<b>Priority/Focus Area: 6.5. Asset Management</b>	
<p>There is no consistency as this report contradicts with the AG Report. Have all the audit queries been addressed? What is the status of assets disposal?</p>	<p>Municipality has developed action plans to address all audit findings raised by AG. This is supported by the formation of steering committees to monitor progress on the action plan</p>
<p><b>Mayoral speeches</b> – The unforeseen interruptions in the programme are noted, however since it was committed that the remainder of the speeches will be implemented in the next financial year, has this been implemented?</p>	<p>A. On the issue of Mayoral speeches the failure in the previous financial year was due to Institutional Instability that resulted in the postponement of activities and hence speeches target was compromised</p>
<p><b>Priority/Focus Area: 5.3. – SPECIAL PROGRAMMES</b> Expenditure to date reports on monies spent but no actual activity has been conducted, at least one target should have been achieved. Kindly explain the expenditure thereof?</p>	<p>A. On Special programmes some activities had to be postponed due to Institutional stability and Austerity matter but there is good implementation of programmes since Inauguration of new Council in late 2016.</p>
<p><b>Priority/Focus Area: 7.1. IGR</b> Is this a political component meeting?</p>	<p>The Intergovernmental Relations meetings are convened in line with the Intergovernmental Relations Framework Act. There are different Fora which are established and launched in line with the Act. Some are composed of administrators and some are composed of politicians. For example, at district level there is a Technical Forum composed of municipal managers and their managers. They meet on a quarterly basis in preparation for the political forum meeting. The political forum meeting is called the District IGR Forum composed by all the mayors in the district and it is chaired by the District Executive Mayor. All the structures should meet on quarterly basis. To answer the question in short, the IGR is composed of both political and technical fora one giving technical support to the other.</p>
<p><b>Priority/Focus Area: 7.3. INTERNAL AUDIT</b> As per the given reason of poor performance, what are the required resources?</p>	<p>Additional staff budgeted for to be appointed in the next financial year</p>

QUESTION	RESPONSE
<p><b>Priority/Focus Area: 7.4. RISK MANAGEMENT</b></p> <p>Committee members issue has it been resolved?</p> <p>Non-attendance of Anti-Fraud and Corruption workshop, are there any corrective measures in place for future?</p>	<p>The Risk Management Committee is operational and also held its meeting of the first quarter. Committee members were appointed.</p> <p>The Anti-Fraud and Corruption workshops are being organised and attended.</p>
<p>(a) Why is the institution not spending?</p>	<p>The under spending in the 2016/17 financial year was attributable to the following factors;</p> <ul style="list-style-type: none"> <li>• Lack of project planning capacity.</li> <li>• Vacant posts for Senior Managers.</li> <li>• Labour unrest which lasted for three months.</li> <li>• Community protest in Vuwani which affected Vuwani – Majosi infrastructure project.</li> </ul>
<p>(b) What measures are in place to prevent reoccurrences?</p>	<p>The municipality has taken a number of interventions in order to expedite expenditure in the current financial year as outlined below:</p> <ul style="list-style-type: none"> <li>• Posts of GM Technical Services and CFO have been filled</li> <li>• Engagement with service providers on a regular basis.</li> <li>• Acceleration measures to increase progress (increase resources on site).</li> </ul> <p>On-going political engagements to resolve issues around Vuwani</p>
<p>(c) Kindly provide progress to date.</p>	<p>The municipality has spent % of its allocated grant of R----- as at 28 February 2017. The municipality will spend the entire grant by the end of the financial year as per the cash forecast.</p>
<p>(d) R52m was collected however R91m was billed, is there a corrective measure in place to improve?</p>	<p>Yes, the municipality has appointed a consultant to recover long outstanding debts to ensure that the amount billed is equal to the amount received</p>
<p>(e) Local municipalities are owing VDM, resulting in a loss of +- R300m. How is this loss going to be addressed?</p>	<p>Outstanding debts from Local Municipalities will be addressed through the implementation of debts collection project that is currently in progress</p>
<p>2. How are you going to address the current assets and liabilities status?</p>	<p>Current assets and liabilities will be addressed together with the implementation of remedial action to address AG findings.</p>
<p>1.1 What is the current status of the record keeping in the municipality?</p>	<p>The municipality is in the process of procuring new filing system for safe keeping of all documents. In addition the municipality will</p>

QUESTION	RESPONSE
	appoint an official to deal with all finance related documents and filling.
1.2 Why did officials fail to submit requested information to audit?	Some documents were not submitted for audit purposes due to the fact that they (documents) were requested by the forensic investigators who were contracted by the municipality to conduct forensic audit, hence other documents were misplaced during the process.
1.3 Who are the responsible officials?	The municipality did not appoint an official for document management hence no one was held responsible.
1.4 What action has been taken against them?	None
<b>Property, plant and equipment (Par 88 – 89)</b>	
2.1 Who is responsible for the maintenance of the asset register?	Asset Management section is responsible for the maintenance of the asset register. The process of maintaining the register requires that the Project management unit informs the Asset management section of the completed assets and asset management adjust the asset register accordingly. Technical department and Finance department have resolved that they should meet twice a month to address audit queries relating to completed projects and the
2.2 What action has been taken against them?	No action was taken, however action plans were drafted to address the weak controls identified in this area of work.
2.3 What has been done to ensure that all completed projects have been transferred to the asset register?	Chief financial officer and Head of Technical department have agreed that as soon as the project is completed the Technical department should forward completion certificates to Finance department for capitalization
3.1 Who is responsible for the maintenance of the asset register?	Asset Management section is responsible for the maintenance of the asset register
3.2 What action has been taken against them?	Technical department and Finance department had agreed that they should meet twice a month to address audit queries relating to completed projects and the project register.
4.1 What corrective measures have the municipality put in place to ensure that officials in the finance	The municipality had appointed a service provider to assist VDM with the GRAP standard compliance and the Unbundling of completed

QUESTION	RESPONSE
department are aware of the requirements of GRAP?	<p>projects together with the impairment testing.</p> <p>The municipality should has ensured that the appointed service provider transfers skills to municipal employees including GRAP standards requirements for the duration of the contract.</p>
5.1 Why were details of the building not submitted – location and nature of the building	All buildings which belong to VDM were included in the asset register that audited by the the AG. The only buildings that could have possibly been excluded from the asset register were those that have been donated or transferred to local municipalities.
5.2 Has the building now been included in the asset register?	All buildings belonging to VDM are included in the asset register.
6. May you please provide a detailed breakdown of all lawsuits against the municipality.	See attached Annexure A
7.1 Who is responsible for the review of the annual financial statements, performance information and related cash flow statement?	The review of the annual financial statements done by the management of the municipality, however the Audit committee and steering committee also review annual financial statement.
7.2 What preventative measures have been put in place to address the audit findings on material misstatements in the 2014-15 financial year?	<p>The municipality has developed audit turnaround strategy to address findings raised by auditor general. The following measures have been designed to strengthen the control environment in order to eliminate recurrence of such findings:</p> <ul style="list-style-type: none"> <li>• Detailed action plan.</li> <li>• Regular steering committee meetings to monitor progress on implementation of action plans.</li> <li>• Annual report committee to deal with the credibility of the reported information</li> <li>• Key positions are filled.</li> </ul>
7.3 Who was responsible for the monitoring of these action plans?	Internal Audit section



QUESTION	RESPONSE
7.4 Is there an action plan to address these anomalies to prevent and detect material misstatements in financial and performance information?	Yes, these anomalies will be addressed by the formation of Annual report committee. The committee will deal with credibility of the information reported.
8.1 What systems are in place to ensure that debt, as it becomes due, is being followed-up and collected?	The municipality has established a Credit control section to enforce credit control and debts collection policies. The municipality has also procured the services of a service provider to handle long outstanding debts
8.2 What security measures are in place to prevent theft and vandalism of municipal property?	Municipality has recently appointed more security personnel to safeguard the property (Assets) of the municipality.
8.3 Who are the responsible officials	<i>See attached Annexure B</i>
8.4 What steps have been taken against them?	Security vetting was conducted before appointment.
8.5 Please submit a breakdown of projects that were affected <ul style="list-style-type: none"> <li>• <i>Planning for projects and targets – who is responsible and what process is followed?</i></li> <li>• <i>Why is the planning not done properly?</i></li> </ul>	<p>Vuwani to Middle Letaba</p> <p>None of the officials was responsible, it was as a result of Vuwani unrest</p> <p>Unrest affected planning of the municipality</p>
8.6 .As per section 32(4) of the MFMA, the MM must promptly inform the Mayor, MEC CoGHSTA and the AG when he/she becomes aware of unauthorised expenditure? <ul style="list-style-type: none"> <li>• Was this done?</li> <li>• If so, please provide proof</li> <li>• If not, please provide detailed reasons for the non-compliance</li> </ul>	No action was taken to inform relevant stakeholders. This was due to the fact that the reported unauthorized expenditure was discovered during the audit project of 2015/16 hence it could not be reported as and when it happened. The matter has been brought to the attention of MEC Coghsta

QUESTION	RESPONSE
8.7 Which votes/programmes were exceeded?	Unauthorised expenditure was mainly attributable to over spending on of non-cash items. I.e. Depreciation and Debts impairment as a result of budget constraints
8.8 Who is responsible for budgeting?	Finance department
8.9 What steps have been taken against the officials responsible?	The unauthorized expenditure was not attributed to an individual as this situation happened as a result budget constraints.
8.10 What measures have been introduced to prevent the municipality from exceeding its budget again?	The municipality has introduced cost containment measures in order to contain spending on selected budget items
<p><b>Irregular expenditure due to contravention of supply chain management regulations</b></p> <p>Irregular expenditure to the amount of R180,7 million was incurred during the year under review.</p>	
8.11 Was this done?	The irregular expenditure was not reported
8.12 If so, please provide proof.	Not reported
8.13 If not, please provide detailed reasons for the non-compliance	The reported irregular expenditure was discovered during the audit project of 2015/16 hence it could not be reported as and when it happened.
8.14 What steps have been taken against officials that did not insist on declarations of interest prior to awarding contracts to suppliers?	No action was taken against the officials.
8.15 Were these awards investigated?	No investigations were carried out
8.16 Were there instances where awards were made to officials or close family members in the employ of the municipality? If so, what disciplinary steps have been taken against these officials?	Disciplinary measures were taken against officials implicated
12.4 What preventative measures have been put in place?	Encourage prospective suppliers to register on CSD and filling on MBD forms. Officials are asked to declare their interest prior to commencement of committee meetings.

QUESTION	RESPONSE
8.17 As this is a repeat finding from the prior year – why is it recurring?	There were no systems in place to detect whether or not a person is employed by the state. The municipality relied only on MBD form. In future municipality will rely on CSD register.
8.18 What steps have been taken to prevent the abuse of SCM processes?	The municipality has requested that all supply chain practitioner should vetted annually and that declaration of interest be completed prior to commencement of committee sittings
8.19 Who are the officials responsible?	
8.20 What action has been taken against them?	The municipality has written letters to the persons responsible informing them of our intention to blacklist their companies. In addition the municipality with inform their employers and request action to be taken against the officials
8.21 Why was performance not monitored on a monthly basis?	Instability experienced in the previous financial year within the institution, Monthly meetings are currently held with the contractors and there is improvement with the MIG expenditure
8.22 What measures have been put in place to ensure effective and efficient monitoring of contracts?	None
8.23 Who are the responsible officials?	None
8.24 What action has been taken against them?	None
8.25 Why was the bid adjudication committee not composed as per required legislation	An oversight on the side of Management.
8.26 Why were all bids not evaluated by the bid evaluation committee which was composed of at least one SCM practitioner of the municipality?	<p>In the current financial year the committee is properly constituted as per the AG recommendations.</p> <p>The supply chain practitioner was included and the same official was serving as a secretary and advisor on that particular committee. However the appointment and minutes of the bid evaluation committee did not indicate who was nominated to serve as the SCM practitioner, secretary and advisor.</p>

QUESTION	RESPONSE
8.27 Who approves the composition of the bid adjudication and bid evaluation committees?	The Accounting Officer as required by the legislation
15.4 What steps have been taken against the responsible official?	The Accounting Officer has since left the municipality.
8.28 Please provide a list containing the names of officials involved; the nature of the award and the monetary value of the award	None of the internal officials were awarded contracts by the municipality however, employers of the officials who were found to be doing business with the municipality will be informed in writing.
8.29 Who are the officials that awarded these contracts?	The Accounting Officer
8.30 What are the steps taken to ensure that a proper vetting process is followed?	The municipality relies on the CSD report.
8.31 What steps have been taken against responsible officials?	Disciplinary hearing was held.
8.32 Why were payments made late?	Late payments were as a result of cash flow problems and labour unrest that lasted for two months.
8.33 Please explain the process followed from receipt of invoice until payment to ensure a proper system of expenditure control.	<ul style="list-style-type: none"> <li>✓ Invoice submitted to Expenditure</li> <li>✓ Expenditure registers and submit to SCM for GRN and return to Expenditure</li> <li>✓ Expenditure sends it to the user department for approval</li> <li>✓ User department returns it to Finance for payment process until payment is done</li> </ul>
8.34 Who is responsible for the compilation of annual performance reports and the setting of targets and indicators?	PMS Manager and GMs. The municipality is using standard template provided by national CoGTA, therefore the municipality is not allowed to amend
8.35 What steps have been taken to ensure that the performance management system properly describes and presents key performance indicators?	Constant review of SDBIP through monthly meetings

<b>QUESTION</b>	<b>RESPONSE</b>
8.36 What steps have been taken to ensure that officials do not repeat the same mistakes?	Constant monitoring of performance.
8.37 Have action been taken against the responsible officials?	Yes
8.38 Why was the expenditure not approved by the Mayor?	The municipality did not incur any unforeseen and unavoidable expenditure during the year under consideration.
8.39 What was procured?	No unforeseen and unavoidable expenditure incurred during the year under review.
8.40 Who are the responsible officials?	No unforeseen and unavoidable expenditure incurred during the year under review.
8.41 What steps have been taken against them?	None
8.42 Why is revenue due to the municipality not calculated on a monthly basis?	The municipality is unable to bill every month due to lack of reliable billing system. This has resulted in the inconsistency in billing as the municipality rely on local municipalities for access to their systems to bill. Only billed revenue is recorded in the general ledger.
8.43 Who is responsible for preparing accounts for municipal services?	Municipal accounts for District are prepared by District staff deployed at local municipalities
8.44 What steps have been put in place to ensure proper systems are in place to account for revenue and debtors?	Municipality is in a process of procuring a new financial system to address all current billing challenges. This will enhance capacity of the district to collect and account revenue and debtors
8.45 Why are these accounts not prepared monthly?	Lack of reliable system owned by the District has contributed to inconsistency of billing every month. The challenge will be addressed by the procurement of the new financial system
8.46 What steps have been put in place to ensure proper systems are in place to account for revenue and debtors?	Municipality is in a process to procure new financial system to address all current billing challenges. This will enhance capacity of the district to collect and account revenue and debtors.
8.47 What steps have been taken against responsible officials?	This is not attributed to an individual, therefore no steps were taken against any official.

QUESTION	RESPONSE
8.48 Why did the municipality not recover these expenditures from the responsible officials?	No investigations were carried to determine who was responsible and what were the real reasons that led to the unauthorized, irregular and fruitless and wasteful expenditure
8.49 Were alternative disciplinary steps taken against responsible officials? If so, please submit a list of these steps taken?	No alternative disciplinary actions were taken.
8.50 Why did the MM not comply with the prescribed legislation to authorise the unauthorised expenditure through an adjustments budget?	The municipality had insufficient budget to cover the amount of the over spending hence the was nothing the MM could have done in that regard
8.51 What steps were taken to prevent a repeat?	The municipality has implemented cost containment measures to contain some of the over spending items
23. Please provide an update on the investigation by the SIU as authorised by the President in 2014.	The SIU is still busy with the report. The municipality is not aware of the date of finalising the report.
24.1 Please provide an update on the current status of the investigation. 24.2 If the investigation has been completed, please provide the final report and details of disciplinary steps and other actions taken as per recommendations that came from the report.	The forensic investigation was completed and four officials were implicated and they were taken through disciplinary hearing and as a result they ended up resigning. One of the officials was suspended for a month from work and ten days within that month was without pay.
1. Monitoring of the implementation of action plans.	<ul style="list-style-type: none"> <li>✓ Follow up audit to be conducted by Internal Audit on monthly basis</li> <li>✓ Periodic internal Audit Steering Committee meetings to be held monthly.</li> </ul>
2. Daily and monthly controls in place.	The Management meetings are bi-weekly.

QUESTION	RESPONSE
<b>ACTION PLAN</b>	
<p>1. Why is Treasury's recommended template not used in recording the Action Plans?</p> <p>Kindly give a full progress report on action plan.</p>	<p>Municipality developed a similar template with same requirement as that of Treasury. Treasury template is not mandatory hence COGHSTA reviewed the Action plan in its current form</p>
<p>2. Recurring findings why have they not been fully addressed?</p>	<p>Most recurring findings were caused by lack of capacity and instability in finance department. E.g. Assets, revenue, commitments and Irregular expenditure.</p>
<p>3. Bank Recon item its root causes is lack of resources such root causes are not acceptable, as to conduct bank recon only personnel is required.</p>	<p>In terms of Municipality records, it is not true that lack of resources is the cause of not preparing Bank reconciliation. This is the reason provided by AG. Our records show that the root cause is lack of proper filling system.</p>
<p>4. Time frames and root causes are not realistic.</p>	<p>Time frame for each activity is informed by legislations and procedure manuals.</p>
<p>5. Kindly give a full progress report on action plan.</p>	<p>Total number of findings as per the management report is 104 and to date .....has be addressed.</p>
<b>PROJECT SITE VISIT</b>	
<b>GENERAL QUERIES</b>	
<p>1. Has the annual report been distributed effectively to all stakeholders? If so kindly support the statement.</p>	<p>Annual Report copies were distributed to all LMs for public consumption.</p>
<p>2. Is there a strategy in place to addressing Back to Basic concept?</p>	<p>The implementation of the IDP and the SDBIP</p>