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ETHEKWINI MUNICIPALITY

COUNCIL
(2017-03-30)

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

SECOND REPORT

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**VULAMEHLO
LOCAL
MUNICIPALITY**



2015/2016

OVERSIGHT REPORT

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1. INTRODUCTION

The Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council with regard to the Annual Report and the preparation of an Oversight Report.

Given the processes required by Council to effectively undertake its oversight role, the establishment of MPAC of Council provides the appropriate mechanism through which Council fulfills its oversight responsibilities.

The MPAC's primary role is to consider the Annual Report, receive input from the various role players and to prepare a draft Oversight Report for consideration by Council.

2. BACKGROUND

The oversight role of Council is an important component of the financial reforms and it is achieved through the separation of roles and responsibilities between Council, the Executive (Mayor and Executive Committee) and Administration. Good governance, effective accountability, and oversight can only be achieved if there is a clear distinction between the functions performed by the different role players.

Non-executive Councillors are required to maintain oversight on the performance of specific responsibilities and delegated powers that they have given to the Executive (Mayor/Executive Committee). In other words, in exchange for the powers in which Council has delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non-performance of the municipality.

The Municipal Finance Management Act, No.56 of 2003 (MFMA) vests in Council specific powers of approval and oversight.

- ✓ Approval of budgets;
- ✓ Approval of Budget related Policies; and
- ✓ Review of the Annual Report and adoption of the Oversight Report.

3. FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The functions of the MPAC are to:

- ✓ Undertake a review and analysis of the Annual Report.
- ✓ Invite, receive, and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- ✓ Consider written comments received on the Annual Report from the public consultation process.
- ✓ Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- ✓ Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.
- ✓ Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representative(s) of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

4. COMPOSITION OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

4.1 Membership

The Municipal Public Accounts Committee (MPAC) is a committee of Council established under section 79 of the Municipal Structures Act, 1998. Section 79, allows for the co-option of advisory members to a Committee of Council, who are not members of the Council.

Due to the separation of roles and responsibilities, between Council and the Executive (Mayor and Executive Committee) it is not appropriate for members of the Executive Committee to be members of the MPAC.

The Members of eThekweni Municipality's MPAC are:-

Councillor TJ (Chairperson)
Councillor P Luthuli (Deputy Chairperson)
Councillor A Beetge
Councillor TP Collins
Councillor CB Dlamini
Councillor NB Iyir
Councillor LC Mnguni
Councillor NE Mnguni
Councillor TM Mthethwa
Councillor MC Shezi
Councillor N Sibiya
Inkosi EB Shozi (Ex-officio)

4.2 Authority & Power

The MPAC is delegated the responsibility to conduct meetings and to hold public hearings to receive and hear public submissions on the Annual Report, on behalf of Council.

Timely notice of all meetings should be given and all meetings held by the MPAC must be open to the public and minutes of the meetings must be submitted to Council meetings.

4.3 Meeting Schedule

Post the 2016 Local Government Municipal elections, three and a half wards of the erstwhile Vulamehlo Local Municipality were amalgamated into eThekweni Municipal area. The Annual Report of the Vulamehlo Local Municipality for 2015/2016 was therefore tabled at eThekweni Council's meeting on the 31 January 2017, as prescribed in terms of the Local Government: Municipal Finance Management Act 56 of 2003. The Annual Report also included the report of the Auditor-General on the financial statements and performance information of the Vulamehlo Local Municipality.

The Annual Report was subsequently made available for public comment during February and March 2017. Interested parties were required to make submissions before 03rd March 2017 to the Performance Monitoring and Evaluation Unit at eThekweni Municipality. The public was provided access to the report as listed hereunder:

- Placed for inspection in the following public offices in the erstwhile Vulamehlo area:
 - Office of the Ward Councillor
 - Mgendwa Community Hall
 - Mdumezulu Skills Centre
- Copies were circulated to all Councillors at the eThekweni Municipality
- Posted on the eThekweni Municipality's website

Furthermore, a public engagement was held at the Odidini Hall on the 8th March 2017 and this process is detailed in **Annexure A**.

The Annual Report was submitted to the Auditor-General, Provincial Treasury and the Department of Local Government and Traditional Affairs.

At the closing date for public submissions of 03rd March 2017, 72 submissions were received. The Public was invited to the tabling of the Annual Report to Council on 31st January 2017, and approximately 50 members of the public were in attendance.

Revisions Post Tabling

The following changes were made post tabling:

1. On page 6, the Mayor's signature has been included.
2. On page 13, on the 'Vulamehlo Rural Housing Planned Projects', an addition has been made to the "Ward 8/9/10 Housing Project." The addition is as follows:
"Balance of 500 houses"
3. On page 83, on the Skills Development Expenditure table, under the 'legislator, senior officials and managers' section the figure 'R45000' has been added on the 'Learnerships - Original Budget', and 'Skills programmes & other short courses – original budget' columns. A figure of 'R225000' has been added under the 'Learnerships - Original Budget', and 'Skills programmes & other short courses – original budget' columns.
4. On page 121, "Appendix G -Municipal Audit Committee Recommendations" has been included in the report.
5. On page 126, Appendix L (ii), under disaster management the figure "R20 million" has been added on the 'Budget', 'Actual', and 'Variance Details- Budget' columns.

5. AUDIT REPORT

Audit Outcome

For 2015/16 Vulamehlo Local Municipality received an Unqualified Audit Opinion with the following matters of emphasis:

“Restatement of corresponding figures

7. *The financial statements disclosed a restatement to the corresponding figures for 30 June 2015 as a result of an error discovered during 30 June 2016 in the financial statements of the Vulamehlo Municipality at, and for the year ended, 30 June 2015.*

Subsequent event

8. *The financial statements in note 43 disclosed that the municipality was disestablished following the local government elections held on 3 August 2016. The area of jurisdiction, assets, liabilities, contracts, revenue and expenditure has been split in terms of a split model and incorporated into the eThekweni Metropolitan Municipality and the Umdoni Local Municipality. This arose due to a redetermination of boundaries in terms of section 21 of the Local Government: Municipal Demarcation Act of South Africa, 1998 (Act No. 27 of 1998). Consequently, Vulamehlo Municipality ceased to exist from 10 August 2016.*

Compliance with legislation

21. *I performed procedures to obtain evidence that the municipality complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:*

Annual report

22. *The 2014/15 annual report was not published for the local community to submit representations in connection with the annual report, as required by section 127(5Xa) of the MFMA.*
23. *The oversight report adopted by the council on the 2014/15 annual report was not made public, as required by section 129(3) of the MFMA.*

Procurement and contract management

24. *Contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of supply chain management (SCM) regulation 43.*
25. *The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.*

Expenditure management

26. *Money owed by the municipality was not always paid within 30 days, as required by section 65(2Xe) of the MFMA.*
27. *Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1Xd) of the MFMA.*

Revenue management

28. *A policy was not implemented for the levying of rates on rateable property within the municipality, as required by section 3(1) of the Property Rates Act and section 62(1)(f)(ii) of the MFMA.*

Consequence management

29. *Irregular expenditure and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.*

Internal control

30. *I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.*

Leadership

31. *The accounting officer did not exercise adequate oversight responsibility in a form of a compliance checklist relating to compliance with key legislation resulting in material non-compliance finding being reported on annual report, revenue management, supply chain management, expenditure management and consequence management.*

Financial management

32. *Senior management did not implement a proper record management system for the maintenance of documents to support financial reporting. Further, the action plan to address prior year audit findings was incomplete which resulted in repeat findings being identified during the audit."*

AUDIT REPORT

We have noted the matters highlighted by the Auditor General and are of the view that eThekweni Municipality management should note these and institute measures to prevent recurrence in the future.

Therefore

COMMITTEE RECOMMENDS:

That the City Manager ensures that matters raised by the Auditor General are noted and mitigation measures instituted to prevent a recurrence in the future.

6. ANNUAL REPORT

Financial Highlights

HIGHLIGHT	2016
SURPLUS FOR THE YEAR	R13 645 000
TOTAL REVENUE	R83 356 000
TOTAL EXPENDITURE	(R69 711 000)
CAPITAL BUDGET	R35 364 000
ACTUAL CAPITAL EXPENDITURE	R38 080 000
NET CASH & CASH RESOURCES (BANK, INVESTMENTS, CASH & CALL DEPOSITS)	R27 024 798
TOTAL ASSETS	R39 373 254
CONSUMER DEBTORS	R62 800 864

Service Delivery Highlights

SERVICE	PROGRESS MADE
Housing	1500 houses were completed in 2015, reducing the backlog figure to 8948. 269 houses have been built through the Vulundlela Rural Housing Project. Tranche 2 of the Vulamehlo 5 and 7 Rural Housing Project, as well as the Thoyane Rural Housing Project have been recommended to the MEC for approval
Cleansing & Solid Waste	Solid waste is put in pits and/or burnt by residents currently.
Water	Distribution of water via water tankers averaged at a 91.75%
Sanitation	The majority of toilets that are being used within Vulamehlo are the pit toilet systems, with 27% being with ventilation and 38% being without ventilation. Only 2% of Vulamehlo is being serviced through the sewage system.
Electricity	241 households have been provided for free basic electricity. A total of 287 households have been electrified in Dlangezwa, Mjunudwini, Khakhama, Ntontonto and Mahlabathini.
Roads	A total of two gravel roads were prioritised namely Rwayi (1.0 km) and Dududu to Thafani (1.9km).

Challenges

- The contractor for Fakazi Crèche/Multipurpose was terminated
- The contract number Vul/W6/2014/113: Dududu to Thafani completion of the project was delayed due to the late processing of water user licence application by department of Water and Sanitation
- Construction of Shukumisa Sports Ground was delayed because the late processing of authorisation by the comments from Department of Economic Development, Tourism and Environmental Affairs.
- The contractor for the project Madundubala Community Hall contract number VUL/W2/2014/111 namely Nelisethembiso Trading was terminated because of poor performance
- There were difficulties in collecting rates because of lack of postal addresses

SERVICE DELIVERY

We have noted with concern that due to dependency on grants and a limited rates base the former Vulamehlo Local Municipality was unable to effectively and efficiently deliver services to its communities.

Having now been incorporated into eThekweni Municipality, the residents of the former wards of Vulamehlo Local Municipality have a high expectation of service delivery by eThekweni Municipality.

Accordingly,

COMMITTEE RECOMMENDS:

That the necessary budget allocations be made in the 2017/2018 Medium Term Expenditure Framework to enable the roll-out of basic services to Ward 105.

7. CONCLUSION

The MPAC commends Council, the Municipal Manager, the Senior Managers and all staff of the former Vulamehlo Local Municipality on the strides made towards good governance.

Having performed the following tasks:

- ✓ Reviewed and analysed of the Annual Report;
- ✓ Considered that comments were received on the Annual Report from the public consultation process;
- ✓ Conducted Public Hearings to allow the local community or any organs of state to make representations on the Annual Report; and
- ✓ Prepared the draft Oversight Report, taking into consideration, the views and inputs of the public, representatives of the Auditor-General, organs of state,

MPAC has pleasure in presenting the Oversight Report to Council to consider the following resolutions and then forward them to the relevant Departments and Provincial Legislature:

COMMITTEE RECOMMENDS:

1. That Council having fully considered the Annual Report of the former Vulamehlo Local Municipality for the 2015/2016 Financial Year, adopts the Oversight Report for the 2015/2016 Financial Year, a copy of which is attached to the signed minutes of this meeting.
2. That Council approves the Annual Report of the former Vulamehlo Local Municipality for the 2015/2016 Financial Year without reservations.
3. That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
4. That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.

8. ANNEXURES

Annexure A Report on 2015/16 Annual Report Public Participation Process

Annexure A: Report on the Public Participation Process for the former Vulamehlo Local Municipality's Annual Report 2015/2016

INTRODUCTION

In terms of the expanded Public Participation program on the Annual Report, as requested by MPAC, one Public Meeting was held, targeting specific groups within the Municipal area.

This meeting was held as follows:

08 March 2017- Civil Society at Odidini Hall.

PUBLIC PARTICIPATION RESPONSES

The following concerns, comments, questions, amongst others, were raised at the meeting with Civil Society:-

1. Incomplete Projects

Community members who had sought clarity as to what would happen to projects that remained incomplete as a result of the recent demarcation, they were informed that the projects would be completed.

2. Road construction.

It was recorded that roads that were easy to become muddy during the rains should be tarred. There was a request that the road leading to the hall should be completed.

There is a project that was done by iNkosi Maphumulo at Isreal. The road is supposed to be paved on both sides. It lacks quality as the road continues. The plan was to do 3kms. We understand that it was not the eThekweni Mayor's planning. However, we would like her to look into it. Also, please speed up putting the top layer (inkwali) on the small roads that were built.

It was recorded that roads that were easy to become muddy during the rains should be tarred.

3. Request for a clinic

A clinic was necessary which was requested in the year 2000 without getting it. There are no doctors unless you travel a distance of 20kms distance.

4. Supply of JOJO tanks

There was a request that the road leading to the hall should be completed and that a clinic was necessary which was requested in 2000 without getting it. It was requested that jojo tanks be supplied and the crèche for kids be erected. Nongwane bridge was also mentioned as being necessary to be fixed.

5. Local artists

A request was made that Amaciko or local artists should be developed thereby ensuring that when there were government functions in the ward they should be prioritised. Sports and recreation facilities featured as one of the necessities in the area.

6. SMMEs

There were other requests that SMMEs should be protected and that they should be given space to sell their products.

7. Local youth

Local youth requested that they should be considered in big projects in the area.

8. Scarce job opportunities in Wards

The Mayor was informed that there was a need to ensure that all people in the wards should be considered for the scarce job opportunities becoming available in the ward. There were houses built with very bad roofs that needed to be fixed.

9. PWD

A need to accommodate those living with a disability, especially those without sight, was accentuated.

10. Provision of Library

The library proved to be a critical needed to cover many areas of the ward and other neighbouring wards as well.

11. Farmers

A request was made for the fencing of our gardens as our plants get eaten by the neighbours animals. Further a request was made for the municipality to assist in getting a market for them so that they may supply places like the clinics etc

12. Unemployment

A request was made to use the community contractors and not source contractors from other areas to do jobs in their areas.

13. Feeding Scheme

We feed the clinics and schools with food without compensation

14. RDP houses phase two

We were promised to be allocated houses in phase two, we would like to know if we are going to be receiving these houses.

15. Building of church

We had requested the iNkosi to build a church

16. Budget Presentation

A request was made for a presentation to be made at Vulamehlo Municipality on the following financial year budget.

17. Provision for People with Disabilities

People with disabilities are not catered for. The positions are advertised on papers that they can't see.

18. Improvement on education

The area has poor school results. It was requested that primary schools be built in the area.

19. Green House Projects

The Green House project has challenges as when transporting products to town it decreases its value.