

VICTOR KHANYE LOCAL MUNICIPALITY



2014/2015

OVERSIGHT REPORT

Table of Contents

CONTENTS	PAGE
Introduction	1
MPAC Establishment	1
Statement of Purpose of the Oversight Report	2
Process of leading to the adoption Annual Report and the Oversight Report	
Summary of matters raised with the administration	
Responses by administration on the questions and	
Committee observation and audit remedial action	
Key comments by the Executive Mayor	
Key comments by the Accounting Officer	
Key comments of the Audit Committee	
Summary of components that require to be revised	
Minutes of the meeting of the Oversight Committee	
Recommendations	

VICTOR KHANYE LOCAL MUNICIPALITY

1. INTRODUCTION

In accordance with the provisions of Section 79 (1) (a) (b) and (c) of the Municipal Structures Act 1998 a municipality may establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers and appoint the members of such committee from among its members.

Furthermore Section 79 (2) of the Municipal Structures Act, 1998 provides the framework and guidelines within which such committees of council shall operate. During the 2009 Association of Public Accounts Committee (APAC) Conference in Badplaas a resolution was taken stating that the Conference supports the establishment of Municipal Public Accounts Committees (MPACs) in each municipality in the Province as part of improving financial management and accountability at local level. Thus in order to enhance, promote and consolidate the oversight role of the Council over the executive, the Department of Cooperative Governance and Traditional Affairs having consulted the National Treasury and SALGA, has instructed that all municipalities establish MPACs. The focus of the MPAC will be to assist Council to hold the executive to account and to ensure the effective and efficient use of municipal resources.

2. MPAC ESTABLISHMENT

The MPAC committee was established by Council resolution number A19/07/2010 in terms of section 79 of Municipal Structures Act, 117 of 1998. The oversight committee consists of the following members:

1.	Cllr Mokoena NB (Chair)	6.	Cllr Mlambo L.N
2.	Cllr Rolisizu B.S	7.	Cllr Maluleka T.M
3.	Cllr Shabalala B	8.	Cllr Nhlapho M
4.	Cllr Bath D.J	9	Cllr Yeko BD
5.	Cllr Shabangu E.T		

3) STATEMENT OF PURPOSE OF THE OVERSIGHT REPORT

The council of a municipality must consider the annual report of the municipality and of any municipal 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 a statement whether the council-

- 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.

National Treasury issued circular 32 on 15 March 2006 on the preparation of Oversight Reports and Circular 63 that provides guidelines on the processes to be followed in the adoption of the Oversight Report, to which this report conforms.

The Oversight Report is a separate product from the Annual report. The Annual Report is submitted to the Council by the Accounting Officer and the Executive Mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving objectives and goals set by the municipality in the relevant financial year. The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the municipal council.

4. PROCESS OF LEADING TO THE ADOPTION ANNUAL REPORT AND THE OVERSIGHT REPORT.

STRUCTURE	DATE	ACTIVITY	Annexure
Notice that the Annual Report shall be tabled at the Council	08/1/2014	Part of the Agenda for the Council Meeting of the 23 rd Jan 2014	A
Notice to Local Papers inviting the Public to	08/1/2014	Advert on Local and Provincial News Papers	B

STRUCTURE	DATE	ACTIVITY	Annexure
attend the tabling of the Annual Report			
Draft Annual Report submitted to AG and Invitation to AG to attend the tabling of the Report to Council	09/1/2014	Hand-Delivered the Annual Report to AG office and Invitation E-mailed to AG.	C
Ordinary Council Meeting	23/1/2014	Tabling of the Annual Report	D
Auditor-General, COGTA and Treasury	24/1/2014	Submission of report	E
Posting on the Website.	27/1/2014	Annual Report on the Website	F
Notice to Local Papers inviting Public comment on the Annual Report.	10/2/2014	Advert on Local and Provincial News Papers	G
MPAC Meeting on the AR	31/1//2014	Distribution of Circulars 11, 32 & 63 as well as the National Guidelines for the Establishment of Municipal Public Accounts Committees	H
Visit to Ehlanzeni District Municipality	12-14 /2/2014	Witness the process of analysing the Annual Report by MPAC of EDM for the purpose of peer learning.	I
Visit to Nkangala District Municipality	24/2/2014	Witness the process of analysing the Annual Report by MPAC of NDM for the purpose of peer learning.	J

STRUCTURE	DATE	ACTIVITY	Annexure
MPAC Meeting at Witbank Protea Hotel	11 - 13 /3/2014	Adopt the Terms of Reference and the Process Plan for the Drafting of the Oversight Report following PT guidelines on the new format of the AR and presentation from CoGTA (Mandate, Role, Functions and Powers of MPAC. Prepare Comments And Questions to be responded to by Administration on the Annual Report. Draft the Oversight Report	K
Meeting to consider response by Administration	18/3/2014	Additional Report on collection in areas where Eskom supply Electricity	L
Council Meeting	20/3/2014	Submit the Annual Report and the Oversight Report to Council for approval	M
Submit the Annual Report and Oversight Report to the Auditor-General, COGTA and Treasury	24/1/2014	Letter of submission	N
Publication of the oversight report	Within 7 days	Publication of the oversight report	O

5. SUMMARY OF MATTERS RAISED WITH THE ADMINISTRATION

The Committee would like to commend Administration for the effort put in developing the Annual Report that is compliant to Treasury Guidelines. In the process of analysing the Annual Report the following Comments and Questions were raised and forwarded to

the Accounting Officer. The Committee had its special sitting on the 18 March 2014 in the Council Chamber of Victor Khanye Local Municipality, Delmas, to consider the response received from the Accounting Officer. Attendance register attached as Annexure L.

5.1 COMMENTS ON THE ANNUAL REPORT

	Page	Comment/ Question	Response	COMMENT
1.	14 (A)	Mayor Foreword is found to be compliant with the Guide and should not be changed except that it is not signed	Signed	Endorsed
2.	16 (A)	MM's Foreword is not found to be compliant with the Guide; it needs to be included	Included	Endorsed
3.	19 (A)	Population figures be included in the whole table	Included	Endorsed
4.	22 (A)	Last sentence to be rectified	Rectified	Endorsed
5.	24 (A)	No narration on the reason for the Opinion	Brief explanation included	Endorsed
6.	29 (A)	Editorial mistakes need to be rectified	Rectified	Endorsed
7.	25 (A)	All 79 committees to be listed.	Included	Endorsed
8.	45 (A)	Spelling Mistakes par 3 Sentence (Although).	Rectified	Endorsed
9.	50 (A)	Spacing on the last row 1 st 2 columns	Rectified	Endorsed
10.	53 (A)	Totals for 2011/12	Included	Endorsed
11.	110 (A)	Names of sporting facilities	At the present moment all the sporting facilities are named or /referred to as per their location except for Simon Gondwe and the Sinethemba Hall.	Endorsed

	Page	Comment/ Question	Response	COMMENT
			SOCCERFIELDS <div>1 At Delpark</div> <div>1 At the Sport centre</div> <div>1 Vuk Uzenzele</div> <div>1 Next to Motlounng</div> <div>1 Ext 5 (N12)</div> <div>1.Mandela Ground</div> Tennis Courts <div>Delpark (x 2)</div> <div>At the Sport Centre</div> <div>2 in Delmas</div> <div>Rugby-Field Delmas</div> <div>Cricket Field Delmas</div> <div>Bowling Field Delmas</div>	
1.	111 (A)	Comparison on number of grounds is 8 no longer 6.	There are only 6 soccer fields (Grounds) that are usable as per the table above. The 8 on the report should be a typographic error.	Endorsed
2.	179 (A)	Text missing (variance)	Included	Endorsed

	Page	Comment/ Question	Response	COMMENT
3.	185 (A)	Additional information ito of the sanctions of all found guilty and the dates (2013/2014).	<p>Additional information ito of the sanctions of all found guilty and the dates (2013/2014)</p> <ol style="list-style-type: none"> 1. The Annual Report is for 2012/2013 2. The employees were both dismissed after the guilty sanction was received. <p>The actual date of finalisation was 15/08/2013 for both.</p>	Endorsed
4.	186 (A)	The performance management system to be cascaded to lower levels	The system of performance is embodied in the performance management policy of the municipality. It starts with the induction of employees after signing the job description and through to probation process whereby the performance of an employee is assessed. The system recognises excellent performance. The system has not been fully implemented by management and shall be as from the next quarter.	Progress should be monitored frequently.
5.	194 (A)	Comment the A/o should be specific ito payment rate in those areas where electricity directly from ESCOM.	The information can be provided per area. Namely, Sundra, Eloff and Botleng Ext. 3. A process should be implemented to verify	Progress should be monitored frequently.

	Page	Comment/ Question	Response	COMMENT
			<p>the wards and then update the system accordingly.</p> <p>We have performed extensive research on implementing smart meters which can assist with the identification of electricity losses but funding remains a challenge for the implementation thereof.</p> <p>Item shall be forwarded to Council once finalised.</p>	
6.	200 (A)	Rectify 1 st sentence on Asset management.	Rectified	Endorsed
7.	201 (A)	Comments on repairs and maintenance.	<p>Due to the state (ageing) of the municipal infrastructure, the cost of maintenance increases annually, especially, roads as well as water and sewer pipes.</p> <p>The increase in costs for repairs and maintenance is due to the following elements:</p> <ul style="list-style-type: none"> - The aging infrastructure - Lack of master plans for all the infrastructure results to poor planning - Shortage of resources including human capital 	Endorsed
8.	209 (A)	All tables to be populated accordingly.	Tables populated	Endorsed

	Page	Comment/ Question	Response	COMMENT
9.	221 (A)	The A/O should put in place mechanisms to deal with all matters of emphasis contained in the AG report not covered in the Audit Action Plan.	<p>Emphasis of matter paragraphs does not affect the audit opinion but it is merely to provide additional information to the users of the financial statements as per ISA 706 which is the International Standards on Auditing.</p> <p><i>Definition of Emphasis of Matter paragraph</i>—A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. There is an Action Plan that Deals with Emphasis of Matter that is has been developed.</p>	Progress should be reported to Council on a quarterly basis.

5.2 QUESTIONS TO THE ACCOUNTING OFFICER

	PAGE	QUESTION TO ADMIN	RESPONSE	COMMENT
1.	49 (F)	A/O to explain failure to collect 100% Revenue as per Sect 64(1),(2) & (3) and the remedial action to avoid recurrence, ito By law, credit control policy	We have developed a draft revenue enhancement /financial turnaround strategy to address shortfalls on income. The debt collection and credit control policy is being reviewed and will be amended to ensure stricter debt control. Electricity are also been disconnected for consumers in arrears but there is also a significant number of indigents which can't afford to pay for their services. Hence a 100% payment ratio will never be achieved. The budget is done on the basis that the debtor's payment ratio is 75% and currently we are sitting on 74% which is above the norm for most municipalities. Smart metering will assist with the collection of outstanding debtors but the funding for such a project remains a challenge.	Debt Policy to reviewed as a matter of urgency
2.	59 (F)	A/O to clarify the reasons for not spending all the Grants allocation, and proof for application of for not spending or not. Schedule	There was an unspent portion for EPWP grant which was rolled over to the 2013/2014 financial year. A copy of the letters sent to Treasury is herewith attached	Endorsed

	PAGE	QUESTION TO ADMIN	RESPONSE	COMMENT
		from NT on the transfer of funds of funds.	as Annexure B. Unspent funds were not withdrawn by NT as a result	
3.	65 (F)	A/O to clarify the Electricity distribution loss and the manner it is captured.	<p>The electricity losses incurred is as a result of electricity theft and normal distribution losses that occur during the distribution of electricity. The norm for electricity losses is between 10% and 15% and our losses R9 451 940 for 2013 as per note 35 on page 65 of the Annual Financial Statements which is within the norm. Distribution losses are not an accounting entry and should only be disclosed in terms of GRAP as it is a material item. It is the difference between the electricity purchased and sold and is also reported on the NERSA D-forms that is done every year for the tariff application.</p>	A/o to submit report on the process of curbing metre bridging.
4.	46 (A)	A/O to clarify the water loss and the manner it is captured. / Committee further raised concerns on the process of Reporting through the RRU	The difference between the water purchased from Rand Water and water extracted from the boreholes and the water sold will be regarded as water losses. Water losses occur due	Full report on how leakages are attended to including

	PAGE	QUESTION TO ADMIN	RESPONSE	COMMENT
			to old infrastructure which results in burst pipes and water gets lost in the process. ICT is in the process of developing the system that will be used to deal with reporting of leaking pipes.	meter leakages Response Unit to be revived urgently
5.	65 (F)	A/O to clarify the Electricity tariffs.	The electricity tariffs are approved by NERSA every year after the submission of the D-form. The tariffs that is implemented by the Municipality is also approved during the budget process. Due to technical issues the block tariffs could not be implemented in 2012/2013 and hence a fixed tariff was implemented.	Endorsed
6.	65 (F)	A/O to explain progress on the contingency liability, prospects of winning these, and the legal costs in contravention of MFMA.	The definition of a contingent liability as per GRAP 19 is: - a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or - a present obligation that arises from past events but is not recognised because:	Endorsed

	PAGE	QUESTION TO ADMIN	RESPONSE	COMMENT
			<ul style="list-style-type: none"> - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; - the amount of the obligation cannot be measured with sufficient reliability. <p>The outcome of the pending legal cases can't be determined reliably as the ultimate decision vests with the court. The legal fees relating to these cases is in the normal course of business as the Municipality must defend themselves against any person who takes the Municipality to court. Once the court has made a decision then only the legal costs can be assessed to determine whether it is in contravention of the MFMA or not.</p> <p>This is on page 122, and litigations were dealt by the Legal Services in the office of the MM.</p>	
7.	67 (F)	A/O to explain the fruitless/wasteful/irregular expenditure amounting to	A report on the Fruitless and Wasteful expenditure has been prepared and will be submitted	Endorsed

	PAGE	QUESTION TO ADMIN	RESPONSE	COMMENT
		R347 046 in contravention to sect 32 (d). Was it reported accordingly, and what is progress is achieved in finalising the matter.	to council for condonement in terms of Circular 68. Currently the report is on its way to Council and shall be dealt with then	
8.	65 (F)	How much was spent on Altimax and how it was incurred.	Please refer to page 65 of the Annual Financial Statements where the amount is disclosed. A tender process was followed for the appointment of Altimax for the compilation of the Annual Financial Statements.	Same as above as these matters are related.
9.	70 (F)	A/O to explain the recurrence of some of the transactions done, e.g. The Septic tank. And what measures are put in place.	Please refer to page 70 of the Annual Financial Statements for the reasons for each deviation. All deviations are done in accordance with the SCM regulations. Most of the deviations relates to service delivery issues and emergency situations which is unavoidable. A report on all deviations is also sent to council on a monthly basis. The Septic tank has since been purchased.	Investigation s should be launched by A/O and reported submitted to Council.
10.	67 (F)	A/O to explain the contribution of SALGA from R30 073 (2013) to R755 773 (2014)	A portion of the fees for 2013 is most likely included in the 2013 total as it was most likely paid after year end. It includes	Endorsed

	PAGE	QUESTION TO ADMIN	RESPONSE	COMMENT
			membership fees, training fees and other fees for registration that have been due to SALGA.	
11.	62 (F)	A/O to explain the Holiday Bonus of 4.2mil. Details of beneficiaries	The description on the AFS is incorrect and should have been Annual Bonus paid to the staff of the municipality in terms of their employment contracts.	Endorsed
12.	62 (F)	A/O to explain the Overtime thereof and progress made in implementing Council resolutions of the matter. What measures put in place to avoid recurrence.	The overtime payments are done in accordance with the Local Bargaining Council agreements and it include shift allowances paid to Emergency Response staff. Overtime are being monitored in accordance with the overtime policy and measures are put in place to avoid overtime expenditure being incurred.	Monitoring required
13.	23 (A)	A/O to explain Ratios on employee costs as why it exceeds 35%	The total employee cost should be calculated excluding debt impairment as a portion of debt impairment of the prior year was reversed during the 2013 financial year having a negative effect on expenditure. If the reversal of debt impairment is ignored employee costs are well within the norm and is then only 30% of the total expenditure.	Endorsed

	PAGE	QUESTION TO ADMIN	RESPONSE	COMMENT
14.	68 (F)	A/O to explain Debt by Cllr Shabalala. How much is he paying, how long, and what is done to ensure that the debt is paid before the end of the term.	The mentioned councillor is currently paying R1 400 per month on his arrears which totals R67 970,20. His monthly accounts are R1 180 per month on the one stand and R1 300 per month on the other stand. The consolidated monthly total is R2 480. The R1 400 does not cover the current account and it does not cover the arrears sufficiently. The terms and conditions of the repayment must be re-negotiated with the said councillor. It must be noted that a letter has been sent to the Hon. Councillor to come forward arrange a better offer.	Arrangements should ensure that the debt is settled within twelve months.
15.	45 (A)	A/O to explain Construction progress which is 99%	The construction of the pipeline from Bloemendal to Delmas is complete and the construction of the 10 Mega litre Reservoir in Stompiesfontein is complete. The remaining 1% is for the connection of the Randwater pipe to Delmas Reservoir.	Endorsed
16.	50 (A)	A/O to explain Information outstanding in the last column of the 1 st row	Table Rectified	Endorsed

	PAGE	QUESTION TO ADMIN	RESPONSE	COMMENT
17.	104 (A)	A/O to explain Why targets not met by traffic department and what is the remedial action	For year 2012 /2013 only two traffic officers were responsible for Law – enforcement. Council resolved to appoint traffic wardens which will be done in the new year 2014/2015 as it could not be done during 2013/2014 due to budget constraints however it should be noted that the revenue on licences and agency fees was exceeded by almost R800 000 due to the fact that more people are tested for licences as there are more examiners of drivers licences compared to the previous years. The director is also noting the concern in decline w.r.t revenue and will put supervisory mechanism to ensure maximum returns.	Supervisory mechanism to be submitted to Council on a quarterly basis
18.	45 (A)	A/O to explain Additional information of roads resurfaced and gravelled (specific street names)	A total of 5kms of roads were resurfaced as well as 10kms of rural roads that were re-gravelled. The following roads were identified Meidoring Street (1.7km), Negende Street (0.7km), Derde Street (1.3km), Booth Street (0.3km), Modderfontein Street (0.8km),	Endorsed with ratifications

	PAGE	QUESTION TO ADMIN	RESPONSE	COMMENT						
			Vierde Street (1.5km), Vyfde Street (2.9km) at Sundra. A further 0.8km was re-gravelled at Botleng extension 5. Botleng extension 2 a total of 1km was upgraded as follows, Phambo (0.15km), Mashinini (0.15km), Bolewu (0.15km), Matlala (0.25) and Ramashobane (0.3); a total of 1.6km at Botleng Extension 3, crescent (0.9km) , crescent (0.3km) and street (0.35), for Botleng extension 5 a total of 1.4km , street 1 (0.53km), street 2 (0.53)km and street 3 (0.33km) and 1km at Botleng extension 4 crescent.							
19.	179 (A)	A/O to explain Why are the employees numbers exceed the approved and other discrepancies in table 4.1.	The columns were used incorrectly, the correct information is actually vice-versa expect for Clerks (50 remains on the approved posts) see attached copy for corrections. This also affects page 80, of which the total for 2012/2013 is also 327.	Endorsed						
20.	191 (A)	A/O to explain progress made on the theory of rewarding high level performance.	<table><tr><td>(Victor Khanye Local</td><td>Mar</td><td>Jun</td></tr><tr><td></td><td>13</td><td>13</td></tr></table>	(Victor Khanye Local	Mar	Jun		13	13	Endorsed
(Victor Khanye Local	Mar	Jun								
	13	13								

	PAGE	QUESTION TO ADMIN	RESPONSE			COMMENT
			Municipality)			CoGTA to train Coucillors and Officials on SDBIP
			AVG	AVG		
			SDBIP	2.61	2.70	
			Technical Services	1.85	2.62	
			Community Services	1.99	2.19	
			Office of the Municipal Manager	2.71	2.70	
			Finance Department	3.00	2.96	
			Corporate Services	3.21	3.13	
			<p>The attached table is an extract from chapter three on Performance Report.</p> <p>In terms of the above it was found that none of the departments obtained above average. Therefore, no rewards were given.</p>			

A = Annual Report

F = Annual Financial Statements

Par 5.7 on Page 209: Capital Expenditure of 5 largest projects.

projects Name of Project	Current Year 2012/13			Variance Current Year	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
High mast lights	5 893 000.00	5 229 113.90	5 229 113.90	0	-11.3
Roads and storm water	11 000 000.00	11 219 715.45	11 219 715.45	0	2.0
VIP Toilets	2 000 000.00	2 468 995.25	2 468 995.25	0	23.4
Gravelling of roads	6 000 000.00	5 975 175.38	5 975 175.38	0	-0.4
* Projects with the highest capital expenditure in 2012/13					
Name of Project - A	eradication of service delivery backlogs, VIP toilets				
Objective of Project	to eradicate the bucket system of sanitation				
Delays	none				
Future Challenges	Mushrooming of informal settlement and back yard dwellers. Converting the VIP toilets to full water borne sanitation systems				
Anticipated citizen benefits	have access to decent sanitation in the comfort of their homes				
Name of Project - B	Re-graveling of roads around Delmas				
Objective of Project	to improve the access roads to under developed areas, improved the state of existing roads to better and acceptable standard				
Delays	none				
Future Challenges	the roads will need to be paved or be done properly				
Anticipated citizen benefits	easy access to their living areas				
Name of Project - C	high mass lights				
Objective of Project	to improve the visibility of the newly developed areas and reduced social ills such as crime				
Delays	none				
Future Challenges	none				
Anticipated citizen benefits	visibility throughout the night				
Name of Project - D	construction of roads around Botleng				

Objective of Project	to develop roads around the township
Delays	None
Future Challenges	None
Anticipated citizen benefits	to minimise health risk due to dust and to prevent storm water from eroding the gravel road by improving storm water drainage system

6. COMMITTEE OBSERVATIONS AND AUDIT REMEDIAL ACTION PLAN

In terms of Sect. 131. (1) of the Local Government: Municipal Finance Management Act, (56 of 2003) A municipality must address any issues raised by the Auditor-General in the audit report. The mayor of a municipality must ensure compliance by the municipality with this subsection. The following are the Comments of the Committee:

1. The Committee acknowledges that issues that form basis for qualified opinion by the AG are addressed;
2. The Administration should put mechanisms to deal with all matters of emphasis;

7. KEY COMMENTS BY THE EXECUTIVE MAYOR

We appreciate the opportunity to present to our electorates and all stakeholders the 2012/13 financial year annual reports. This reporting would not have been possible without the contribution of various key role players, amongst other the guidance of the CoGTA and other provincial department's inter-governmental relations platforms, Auditor-General, Treasury, Audit Committee and all our strategic partners in our service delivery programmes.

Although the period under-review witnessed relative political and socio-economic stability in our municipality, we take note of the impact made on the municipal assets damage during the community sporadic protests and labour strikes that took place early in the last six months of the year under review. Our Municipality has intelligibly managed to timeously identify and settle dispute issues whilst at latent stage. We derived this strength from our own undertaking that we shall be "in unity to broaden participation for all our residents towards making Victor Khanye Local Municipality a better place to live in than it

was 20 years ago”. Hence both our IDP and Budget process were premised on the community-based and ward-based planning processes. We are truly committed to ensuring genuine participatory democracy in the governance of our Municipality.

The municipality adopted Vision 2030 Strategic Roadmap during its Lekgotla session in May 2012, and this blueprint has since been the framework for all our strategic development plans, which are monitored on monthly and quarterly basis through Council oversight structures. We committed ourselves to build “a prosperous Mpumalanga Western Gateway City for a Cohesive Developed Community” by implementing the development programmes to achieve the following seven strategic objectives that are aligned to the six national local government Key Performance Areas:

- 1) Improved provision of basic services to the residents of VKLM
- 2) Improved social protection and public education outcomes
- 3) Improved compliance to MFMA and VKLM policy framework
- 4) Improved efficiency and effectiveness of the municipal administration
- 5) Improved community confidence in the system of local government
- 6) Increased regularisation of built environment
- 7) Increased economic activities and job creation

Regarding accessibility of our people to basic service delivery, our Municipality is on course. The interruption of water supply to the household within many wards is the thing of the past since the commissioning of the Bloemendal Rand water pipeline in July 2013, the project which the municipality partnered with provincial CoGTA and Department of Water Affairs. We still have long-term plans and it pursued with other relevant stakeholders to ensure that our rural communities also access same standard of basic services.

This report further demonstrates our commitment in ensuring that our communities have a right to live in a clean and healthy environment as enshrined in the Constitution. As part of improving our waste management systems we are restructuring our waste management programme to improve the service, and to this end we plan to make available the appropriate equipment to all households our refuse removal service operate. The details will be shared with the communities at their respective ward meetings. The access

roads paving projects will make a significant improvement to our road network. We have allocated land for both social and economic purposes, and in discussion with provincial departments to support us in realizing the integrated human settlement development.

Whilst we continue to provide free 6kl of water and 50kw of electricity to the registered indigents in accordance with the provisions of our Indigent Policy, we urge our communities to be responsible for and pay for services when due, the revenue which will assist the municipality to sustain the planned development programmes.

We have made great strides with regard to laying the ground for economic development through the adoption of LED strategy and strengthening our partnership with the stakeholders to provide platforms for capacity building of our cooperatives and SMMEs. The partnership with various stakeholders, in particular the private sector has contributed significantly to the development of our young population skills and empowerment through the various learnership programmes.

Regarding the audit report we have regrettably received a qualified report in the main due to our assets management challenges, and misstatement of AFS on selected aspects. We are well aware that this outcome is evident of the lack of strategic leadership in our Finance department for the past twelve months. We however, since have appointed the Chief Financial Officer in December 2013, and we commit our support to the CFO and his team, and looking forward to improve the performance of the municipality in this regard. In the same vein, we are fully aware that the years ahead will be challenging as the municipality is one of the SCOA pilot sites for Treasury, and this will put an immense pressure on the finance team and the municipality at large.

We are sure that the action plan put in place to address the AG previous financial year findings will be a step in the right direction to take the municipality forward. We comment our communities for their cooperation and guidance as we progressively unpack the municipality's developmental programmes to improve their lives for better.

8. KEY COMMENTS BY THE ACCOUNTING OFFICER

The municipal leadership enjoyed a relative unified and harmonious relationship and partnerships with strategic partners, and this can be attributed to the political-administrative interface structures established to guide common developmental vision.

In reviewing our performance for the 2012/2013 financial year, we take cognizance of and applaud the significant achievements gained in terms of fulfilling the municipality strategic objectives and targets set during the service delivery planning stage for the year under review. We also acknowledge the challenges experienced in reaching to the entire community of Victor Khanye for service delivery (uninterrupted and quality service), and the limitations of the infrastructure which impact on service delivery.

99% of the households have access to water, though the rural areas still use the boreholes and water tankers. The commissioning of the Bloemendal Delmas Bulk Water Project (a partnership project between Department of Water Affairs, Provincial Department of Corporative Governance and Victor Khanye Municipality- R171, 5 million) will go a long way in addressing water shortages in the municipality. More than 9000 households now have access to running water. The water leakages in Botleng Township are however, a matter of concern.

80% of households have access to proper sanitation. However, the plans to expand the sewer plants Botleng from 3.5ML to 7,0ML and Delmas from 4.5ML to 8.5ML will bring a significant improvement in the provisions of sanitation services. The thorn in the municipal leadership skin is still the slow pace of eradicating the bucket system in the Mandela informal settlement. The progress made in the plans to prepare the land for relocating these communities is noticeable.

7km of roads have been tarred, 10km re-gravelled and 0.3km of storm water completed. Resealing of roads total area of 12000 square metres and potholes repairing of 1100 square metres completed during period under review.

A steady progress in the provision of electricity to formalized households has been recorded; approximately 78% of all houses have access to electricity. Furthermore, the unaccounted for electricity loss remains a challenge but good progress has been made in

addressing issues of non-technical losses as result of Illegal connections.

Through the implementation of Municipal Extended Public Works Programs (EPWP) a total of 90 job opportunities have been created for continuous 12 months.

The municipality has recorded a steady revenue collection of 74% on average. The downside economic situation (unemployment and increased indigent status) negatively impacted on the revenue injection. The non-payment of services in areas of Botleng Ext 3 is still a major set-back (electricity provided by ESKOM directly). The municipality is still grant dependent for its capital projects funding, and the insufficient funding impact adversely on expediting the infrastructure rehabilitation.

The municipality for the period under review received a qualified audit opinion, mainly due to the asset register completeness, and accuracy of Property, Plant and Equipment which were materialistic. The municipality aim to address all issues that yielded this audit finding as a move towards Operation Clean Audit (2014) target. The opportunity provided by National Treasury for the municipality to be one of the pilot site of Standard Chart of Accounting (SCOA) will enhance the improvement in general financial management, the tasks the new appointed Chief Financial Officer and entire management are keen to lead.

The municipal environment is an ever-evolving spectrum that continuously necessitates policy review in a diverse and dynamic environment. The municipality developed and reviewed various policies and By-laws as a framework for its service delivery and accountability. During the period under review the municipality new valuation roll was commissioned, which will set out the market values of the properties within the municipality.

Housing opportunities were created through the collaborative partnership with provincial department of Human Settlement; however, the housing backlog is still a challenge. With regard to the formalization and regularisation of informal settlements, an action plan has been developed and this seeks to address the Mandela, Mawaag, Nkanini and Savannah informal settlements of the total of 1800.

The LED strategy developed and launched during the LED Summit is envisaged that it will attract investments and contribute to the improvement of economic status of the citizens of Victor Khanye, which is in the main a young and economically active population. The importance of public participation through all legitimate processes including the ward committees, Community Development Workers and utilization of communication avenues in the municipality cannot be overemphasized in contributing to the good governance of the municipality.

We have taken the opportunity in this Annual Report to reflect on what we have achieved and what remains to be done. One thing is clear -the challenges will be ever greater due to the increasing population growth of the municipality and its growing mining opportunities. The economic conditions over the next year and beyond will place tremendous burdens on many of our citizens, who will depend on effective public services more than ever.

On behalf of management, we wish to express our profound appreciation to Executive Mayor, Cllr. Makhabane and the Mayoral Committee for the leadership they have given to us and opportunity to serve the people of Victor Khanye Municipality. We also appreciate the support that we continue to receive from our different portfolio committees. The staff of the Victor Khanye Municipality continues to put in every effort to ensure our municipality executes its Constitutional mandate effectively and that we, individually and collectively, are able to contribute to making a difference in the quality of life in our communities, together we achieved more.

9. KEY COMMENTS OF THE AUDIT COMMITTEE

The Audit Committee had noted the Annual Report 2012/2013 in a meeting held in the Council Chamber, Victor Khanye Local Municipality, Corner Van Der Walt Street And Samuel Road, Delmas On Friday, 07 February 2014 At 09:00. The Committee mentioned that the performance report should form part of Chapter 3 of the annual report and not be included as an annexure.

10. SUMMARY OF COMPONENTS THAT REQUIRE TO BE REVISED

None

11. MINUTES OF THE MEETING OF THE OVERSIGHT COMMITTEE

Copies of the minutes of the Oversight Committee are included as Annexure D, H, K & L to facilitate transparency in the dealings and deliberations of the Committee in compiling the Oversight Report.

12. RECOMMENDATIONS (THAT):

1. Council, having fully considered the Annual Report for 2012/2013 financial year of the Municipality and representations made thereon, adopts the 2012/2013 Oversight Report; and
2. Council Approves the 2012/2013 Annual Report with reservations due to the outcome of the audit report by Auditor General;
3. Council Request the Mayor to report quarterly on progress made with the execution of corrective actions contained in the Oversight Report.

CLLR. NB MOKOENA

Chairperson: Municipal Public Accounts Committee (MPAC)