

EMAKHAZENI LOCAL MUNICIPALITY

OVERSIGHT REPORT FOR 2012/2013

Vision: "A secure environment with sustainable development to promote service excellence, unity and community participation resulting in a caring society"

Mission: "Emakhazeni Local Municipality is a category B municipality and a tourist destination within the Nkangala District; existing to provide sustainable basic municipal services to the local community and the visitors; creating a conducive environment for socio economic development; and promoting democracy, accountability and public participation in its affairs."

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1. Introduction

The adoption of the oversight report is the final step in the Annual Reporting processes of a municipality. The oversight report is a requirement in terms of Section 129 of the Municipal Finance management Act, act 56 of 2003 (MFMA), which reads that:

"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 (2) 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 –

- *has approved the Annual Report, with or without reservation;*
- *has rejected the Annual Report; or*
- *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 an oversight report and provides guidelines on the processes to be followed in the adoption of the Oversight Report, to which this report conforms.

2. Legislative background

Council is vested with the responsibility to oversee the performance of its municipality, as required by the Constitution, the Municipal Finance Management Act, Act 56 of 2003 (MFMA), Municipal Systems Act, act 32 of 2000 (MSA). This oversight responsibility of Council is particularly important for the process of considering annual reports.

The guidelines referred to in the above introduction provides *inter alia* for the establishment of an Oversight Committee (MPAC) and public hearings to deal with and consider the Annual Report.

3. Process followed

3.1 Service Delivery & Budget implementation plan (SDBIP)

Section 69(3)(a) of the MFMA requires the Accounting Officer to submit a draft of the SDBIP to the Executive Mayor not later than fourteen (14) days after the approval of the budget and drafts of the performance agreement as required in terms of section 57 (1)(b) of the MSA. The Executive Mayor must subsequently approve the SDBIP no later than 28 days after the approval of the budget in accordance with Section 53 (1) (c) (II) of the MFMA. Accordingly the Accounting Officer submitted the SDBIP's to the Executive Mayor for approval and they were approved by the Executive Mayor in terms of legislations **(see attached annexure A)**. These SDBIP's reflect the council plans of how service delivery priorities are going to be implemented. So the annual report contains a report that reflects how far the municipality has gone in implementing its SDBIP's.

3.2 Annual Financial Statements (AFS) 2012/2013

The municipality submitted its financial statements to the Auditor General for the purpose of auditing by the 31 August 2013. This submission complied with section 126 (1) (a) of the MFMA which in summary reads thus:

"The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the financial statements to the Auditor - General for auditing.

The Auditor – General performed the audit in terms of Section 126 (3) (a) and (b), and the municipality received a qualified audit report for the year 2012/ 2013.

3.3 Annual report

The Annual Report was tabled on the 30th of January 2014 in terms of Section 127 (2) of the MFMA. Further the community was invited to submit objections, comments, representations and / or suggestions on the annual report. **Annexure B** attached hereto is the notice calling for objections referred to above which was published on all Emakhazeni municipal offices and the municipal website.

It must be noted that the community, sector departments and the Provincial Legislature did not submit any comments to the municipality relating to the submitted Annual Report.

Comments from the Auditor General were taken up in the Annual Report itself.

3.4 Oversight committee

The Council of Emakhazeni Local Municipality appointed a Municipal Public Accounts Committee (MPAC) in terms of Section 79 of the Municipal Structures Act (MSA). The committee is comprised of three non – executive Councilors and their names are:

Clr. X. D. Masina	-	Chairperson
Clr. R. B. Mashele	-	Member
Clr. J. J. Stevens	-	Member

The roles and responsibilities of MPAC include amongst other things the following:

- To report to Council on the activities of the committee.
- To review the municipal and any municipal entity's annual report and develop the oversight report on the annual report.
- To promote good governance, transparency ad public accountability
- To examine the mid-year review document
- To examine the financial statements and audit reports of the municipality and municipal entities, and in doing so, the committee must consider improvements from previous statements and reports and must evaluate the extent to which the Audit Committee and the Auditor General's recommendations have been implemented
- To recommend any investigation in its area of competence of EXCO or Council
- To seek any information and have access to it from any councilor/employee
- To conduct investigation in the recovery of unauthorized, irregular or fruitless and wasteful expenditure in terms of section 32 (2) of MFMA
- To perform any other function assigned by resolution of council.

Accordingly, the Municipal Public Accounts Committee (MPAC) held their meeting on the 31st March 2014 at 08:00 to consider the 2012/2013 annual Report and draft the Oversight Report for 2012/2013 financial year.

4. **Key issues considered by the Oversight Committee and Recommendations of the Committee**

In formulating the oversight report the committee considered the following issues raised by the Auditor General. Secondly the committee members raised their own issues that were responded to by the accounting officer and the members of top management.

The comments and questions raised by the members of the Oversight Committee together with the responses by the Management are listed below;

Question : **Since the municipality has identified low staff moral, what has led to low morale of employees and what has administration done to boost morale of the employees.**

Response : many factors are contributing towards the morale of staff members, some are internal and some external factors which influences the morale and behavior of employees. Through the LLF meetings, the employer tries to build good working relationship with the workers. Administration will draft a programme to workshop employees on policies on a quarterly basis and this was also suggested by the Auditor General. The municipality also needs to appoint a service provider for employee wellness programme however; due to cashflow challenges this has not been done. Monitoring tool was developed and approved by Council but not implemented effectively; a workshop will assist Supervisor and Managers on the effective implementation of the monitoring tool.

Question : **What has the municipality done to ensure that there is a maintenance plan for the boreholes in rural areas?**

Response : Through the assistance of the Ward Committees, a list of boreholes has been developed and the proceeds of the auction will be used to fix the boreholes as also confirmed by the resolution of Council. The expected savings of R 500 000.00 from MIG will also assist in fixing the boreholes and the scope of works for the Contractor will be extended in this regard. The maintenance plan will be developed through Technical Services Department before the end of May 2014. It was reported that some of the boreholes already installed are problematic, it was resolved that these boreholes should be fixed before the installation of new boreholes, the 642 households without access to water should be split by Wards. Information on the boreholes which are currently not used should be gathered.

Question : **What plans has the municipality put in place to ensure that theft of electricity is curbed?**

Response : The municipality has implemented internal monitoring mechanisms to deal with the issue; the municipality has appointed Magoveni Debt Collection to deal with bridging and debt collection. Magoveni is also producing weekly reports to analyze trends of household purchasing electricity to determine any irregularities on the buying trends. The Finance department is also planning door to door audits to look at broken meters, bridging and data cleansing. The initiative will start at Emakhazeni, followed by Siyathuthuka and rolled out to other units. It is alleged that in Emgwenya, some of the meters were bridged by our own Electricians, as a result, one of the employees has also been suspended for issuing free electricity of amounting to about ±R 140 000.00 in Emakhazeni.

Question : **Has the investigation of a possibility of entering into an MoU with Steve Tshwete Municipality for assistance in obtaining a clean audit being conducted?**

Response : Through the District Finance Forum, the municipality has an arrangement with Steve Tshwete Local Municipality to assist in sharing best practice models.

Question : **Clarity on the work of the Internal Audit as the Auditor General continually raises concerns on their assessment work?**

Response : The Auditor General assess the work of the Internal Audit Unit through the audit opinion received for the particular financial year. They have also raised the fact that the Internal Audit unit is not assessing the performance through the Performance Management Regulations and Framework, however, the Internal Audit unit do performance assessment on a quarterly basis where portfolio of evidence is also required from departments. Performance Management Systems is there but has never been reviewed, expectation from AG was to also do an audit of appraisal but it was never done for the financial year in question.

Question : **Installation of engineering services for 321 houses, does the municipality have land for the remaining 101 stands?**

Response : At the time of developing the report this was the status quo, however, as we stand, the whole 321 has been released, the department went a step further to allocate another 100 houses, the deadline of the 31st March 2014 will not be met due to heavy rains that disturbed the process.

Question : **the 321 houses allocated, will they be sold by the department or the municipality?**

Response : The 321 houses are RDP houses, the municipality has made land available to the department to construct houses and a list of beneficiaries is readily available, and the houses will be handed over to their rightful owners after completion. Other stands will be given back to the municipality to sell after the valuation processes are completed.

Question : **What happens to the unfinished houses in Sakhelwe, Extension 2**

Response : A number of stands are serviced in Sakhelwe and people qualified to be beneficiaries, a list has been developed for all unfinished houses in Emakhazeni Local Municipality and the department came to inspect the unfinished structures, 200 new houses have been allocated but the municipality has advised that the department should rather start with the unfinished houses. Shushumela should be Extension 3.

Question : **Is the 107 people currently residing in Madala part of the land claims beneficiaries and do they fall under the 500 stands identified?**

Response : The 107 people are people currently residing there however, 50 of those people are beneficiaries in Extension 6 and 8 Siyathuthuka.

Question : **Have the people that opted for stands in Madala instead of cash been told which stands belong to them?**

Response : The people have been told which stands belong to them and will be given title deeds by the department in consultation with the municipality. There was also a challenge of people also wanting grazing land, it has been clarified to them

that Madala is now a formalized township and therefore community members cannot be allowed to have grazing rights there.

Question : **Is there anything done about the increase of the debtors?**

Response : debt collection is the continuation process, personnel in the revenue collection section have been trained, a service provider was appointed to deal with debtor's collection, however, the municipality will need to apply drastic measures if it has to find itself in a sustainable manner, it was also resolved that debt collection item should be an item in the Ward Committee meetings.

Question : **Have the strategies for infrastructure repairs been developed**

Response : The process of gathering information on all infrastructure backlogs has started with Emgwenya, the Service Delivery Managers and his team are assisting, once the information is collected in all units, a report will be prepared and a plan developed, that is when a funding model will be drafted, the old backlogs will have to be funded out of the municipality's funds, new infrastructure will be dealt with using MIG funds. Repairs and maintenance vote is there but not assisting as the funds are not sufficient. The strategies will be developed before the start of the new financial year.

Question : **The population of Emakhazeni is increasing, what is being done for future development in terms of electricity, sewer and water?**

Response : the new infrastructure bulk services will be taken care of by the MIG funds, the municipality will have to come up with plans for funding of the old infrastructure projects.

Question : **Why is the municipality not participating in National Intergovernmental Structures?**

Response : there is currently no structure where the municipality can participate in, however, the municipality is participating in provincial, district and local intergovernmental structures.

Question : **Are the 8 Ward Committees functional and are they reporting as required?**

Response : in terms of the public participation report, they are functional with an exception of Ward 8, the reports are given to Ward Councillors and they should report to the community. The sentence in the Annual Report should be rephrased to indicate such.

Question : **What is the challenge in Ward 8?**

Response : challenge is with regards to transportation costs for members as they understand that they have to get stipend, no minutes of the Ward Committees are going through to Council. It was agreed that a number of challenges have been identified with Ward Committees and it was resolved that the Ward Committees should be revived.

Question : **What is the municipality's position on the payment of stipends for Ward Committee members?**

Response : National Treasury transfers a portion of money for Ward Committees but they are clear whether stipends can be paid out of that money or not, In the last financial year, the money was used to cover expenses incurred by the municipality on behalf of the Ward Committees but were not paid directly to

them, transportation and catering during Council meetings, items were sent to Council and referred back for further investigations, through the Office of the Speaker. It was resolved that the matter should be taken back to Council and Ward Committees should be paid the stipend starting from the next financial year but the matter is with deciding whether to pay backpay or start from after the date of the council resolution.

Question : **Is the money for payment of the stipend under the budget of public participation**

Response : When the municipality was paying costs incurred on behalf of the Ward Committees, the vote was general under public participation; however, from the new financial year a new vote for payment of the stipends will have to be created.

Question : **Are service delivery meetings functional and are they submitting their reports**

Response : Members of the Service Delivery Committees are attending the meetings, with the exception of Emakhazeni and Siyathuthuka, due to the fact that the Service Delivery Manager has now been appointed as Acting Manager Technical Services and also some of the stakeholders are not attending, administration should ensure that invitations are sent out for meetings and Ward Councillors to encourage members to attend the meetings. Minutes and attendance registers for the meetings that set are available as portfolio of evidence.

Question : **Agenda of Ward Committees are not flexible?**

Response : public participation should have an exercise on the relationship between Ward Councillors and Ward committee Members, literacy of members should also be taken into account, and members should be allowed to have inputs on items to be discussed.

Question : **How was the response of the Customer Satisfaction Level on services?**

Response : The matter will have to be taken back and properly discussed by Manco and send a report to Council and to report back to MPAC in the next meeting.

Question : **How do we make sure that the community is informed of public participation meetings?**

Response : The municipality sends out sms, issue notices and loudhailing to inform community members.

Question : **Has the governance processes been developed to assist with ethical values of the organization?**

Response : The municipality appointed a Risk Officer and has established a Risk Committee comprising of Managers, they meet quarterly to address matters related to fraud prevention and response plan also come with strategies to identify and put corrective measures towards risk identified. A progress report on the risks identified should be submitted in the next meeting

Question : **Do we have a fraud prevention policy, prevention and response plan? Is it effective?**

Response : The municipality approved the fraud and corruption policy, prevention and response plan, the effectiveness of the document will be determined once an assessment of the document is conducted.

- Question** : **Have the matter that has been raised by AG with regards to supply chain policies been addressed?**
- Response : The policy is fair and competitive, but the challenges are with implementing the policy to the latter,
- Question** : **Why are the By-Laws not promulgated?**
- Response : the problems is with cashflow challenges, the municipality has requested assistance from Nkangala and COGTA has also come to the forth to assist with engaging NDM to assist in the promulgation of By-Laws.
- Question** : **Since the municipality currently does not have Technicians, what are we doing and the plans going forward?**
- Response : The municipality advertised and held interviews but did not find a suitable candidate, the process of re-advertisement has started and in the mean time the Resident Engineer and Electrical Technician assist in this regard. The Resident Engineer should transfer skills so that even when he leaves, the municipality can sustain itself.
- Question** : **Have the people that benefited from the farm portions transferred received their title deeds**
- Response : The beneficiaries have received their title deeds and have also been given cattles in terms of the Masibuyele Esibayeni project.
- Question** : **Why does the municipality continue to experience outages whilst busy with the upgrading**
- Response : the lower town of Emakhazeni is being attended to, the fusing and the issue of trees in the servitudes, A question of overload is suspected as a result, a T3 will be installed to feed from a different feeder.
- Question** : **does the municipality have a maintenance plan for the streetlights?**
- Response : Electricians have been instructed to check streetlights per streets, a report has been submitted, requisition was submitted for fittings, however, due to cashflow challenges the matter is delayed.
- Question** : **What has been done to upgrade sewer network in Emgwenya**
- Response : this have been identified in the IDP as one of the projects for 2014/2015 financial year, some of the blockages are caused by manholes that are not there, in the meantime requisition for repairs and maintenance has been submitted.
- Question** : **Who is the 6% that is not receiving access of the 25L**
- Response : The 6% includes people in rural areas, Madala and some of the people in Enkanini at Emthonjeni.
- Question** : **How many people is one windmill suppose to cater for?**
- Response : this depends on the number of factors such as the vastness of the area between houses as some of the houses are far from each other and some are closer.

- Question** : **Water supply in rural areas(page 43 table), what does the number represent?**
- Response : This was an error because instead of the numbers, the column should represent a budget; Administration will revisit the table and correct it.
- Question** : **Who is the 589 not receiving refuse removal?**
- Response : The number includes people in rural areas, Madala and some of the people in Enkanini at Emthonjeni, informal settlements.
- Question** : **Why is it indicated that Emakhazeni landfill site is legalized whilst its not?**
- Response : At the time of compiling the report, the municipality had a ROD and was also in the process of getting permits.
- Question** : **Were the extra six posts filled budgeted for?**
- Response : the 24 new posts were budget for and the 6 are the posts which occurred due to either resignations, dismissals etc, so they were budgeted for.
- Question** : **What control have we on the EPWP employees?**
- Response : the process of appointment of the EPWP personnel is managed by the planning and Development section, once they have been appointed Community and Technical Services have the responsibilities of monitoring the employees.
- Question** : **Who's responsibility is it, when an EPWP employees has been injured at work?**
- Response : the EPWP employees that are paid by the municipality have been registered for COIDA, however, it was with sadness to learn that the department has not registered those that are paid by them (COGTA), the matter is currently being discussed at Provincial level.
- Question** : **Supply chain to ensure that fuel is always available, is this happening?**
- Response : the supply chain had appointed a Contractor however internal audit found irregularities with the contract and Management also identified gaps and therefore the contract had to be cancelled, an arrangement was made with total garage to supply on a cash basis however, this proved to have challenges with logistics, a re-advert was issued but the service provider who was appointed failed the municipality as he raised a number of challenges, another advert was issued and the closing date is on the 2 April 2014 after which the BEC and BAC will sit as a matter of urgency to make sure appointment is done urgently.
- Question** : **Why were the workshops not conducted for the roles and responsibilities of Councillors not conducted.**
- Response : Due to cashflow challenges the workshop could not be held, the municipality relied also on COGTA and SALGA but they did not come forth.
- Question** : **Was the request made to social partners to assist with funding for EAP as indicated in the performance report?**
- Response : Adverts were issued and the first time of responses the municipality did not find the suitable service provider, the second time the appointment could not be

made due to cashflow challenges, Exxaro was also approached to have one service provider, but that did not materialize.

Question : **Has an action plan been developed on the issues raised by AG on the audit report?**

Response : An action plan has been developed, the asset register of which it was raised as a matter of concern has been corrected, the municipality appointed a Senior Accountant Asset Management who is responsible to do internal verifications. Nkangala have also requested the service provider who compiled the asset register to come and correct it.

Question : **Part 32 (Audit report)(Non compliance with the Supply Chain regulations) –**

Response : the issue was raised due to the contradiction between the Supply Chain regulations and the policy of the municipality, where the regulations were indicating R 200 000.00 and the policy was indicating R 120 000.00.

Question : **How many of the concerns raised by the AG have been addressed.**

Response : Most of the matters have been addressed though the action plan also submitted to the AG.

Question : **Why is loudhaling only done in townships?**

Response : Contact details of the people in town will be sought and thereafter sms's will be issued to notify them of any public participation meetings.

5. Action Plan: Issues raised by the Auditor-General

KEY AUDIT FINDINGS IN 2012/13 AUDIT REPORT	CAUSES OF AUDIT FINDING	ACTIVITIES TO BE UNDERTAKEN TO REMEDY THE KEY FINDINGS AND ADDRESS CAUSES	RESPONSIBILITY	DUE DATE FOR EACH ACTIVITY	INTERVENTION/SUPPORT REQUIRED
AUDIT OUTCOME					
Qualified with matters					
AFS					
ASSETS: DETERMINATION OF USEFUL LIVES AND VALUES NON AVAILABILITY OF SUPPORTING DOCUMENTS TO CONFIRM PROCEDURES UTILIZED TO DETERMINE USEFUL LIVES AND VALUE OF ASSETS	<ul style="list-style-type: none"> The methodology used to determine the value of the assets were questioned as linking between supporting documentation and asset register did not link 100%. 	<ul style="list-style-type: none"> Elm's Asset unit must update the asset register according to methodology document and obtain all relevant supporting documents from service providers Elm's Asset unit must calculate all prior year error correction journals in relation to updating of asset register 	Deputy Manager Supply Chain & Assets Snr Acc Assets	Mar-14	Service Provider has been appointed by Nkangala District Municipality
NON-CURRENT ASSETS: DEPOSITS OF LAND NEEDS TO BE REMOVED FROM ASSET REGISTER ONCE TRANSFERRED THE AMOUNT OF ADDITIONS WAS NOT INCLUDED IN THE ASSETS REGISTER TO DETERMINE THE CORRECT VALUE OF THE ASSETS	<ul style="list-style-type: none"> Value of assets on asset register and supporting documents differed from the confirmation received from Nkangala DM 	<ul style="list-style-type: none"> Obtain all supporting documents from NDM to balance with confirmation amount from NDM. Update the asset register according to the supporting documents 	Deputy Manager Supply Chain & Assets / Snr Acc Assets	Feb-14	
CONSUMER DEBTORS: FAIR REPRESENTATION OF FAIR VALUE OF CONSUMER DEBTORS THE METHODS PROCEDURES ADOPTED TO ESTIMATE THE PROVISION OF DOUBTFUL DEBTS WAS NOT VERIFIED	<ul style="list-style-type: none"> Questioned the assumptions used to determine the fair valuation of the impairment of the consumer debtors 	<ul style="list-style-type: none"> The assumptions for the impairment of consumer debtors should be supported by calculations and not only judgment. 	Deputy Manager Revenue	Jun-14	
LEGAL AND REGULATORY REQUIREMENTS					
STRATEGIC PLANNING AND PERFORMANCE: REVIEW OF PERFORMANCE MANAGEMENT SYSTEM THE MUNICIPALITY DID NOT REVIEW THE PERFORMANCE MANAGEMENT SYSTEM	<ul style="list-style-type: none"> Municipality did not establish mechanisms to monitor or review performance management system as per Section 40 of MSA 	<ul style="list-style-type: none"> Establish mechanisms to monitor and review performance management system as per Sec 40 of MSA 	Deputy Manager Planning and Development	28-Feb-14	

STRATEGIC PLANNING AND PERFORMANCE: INTERNAL AUDIT DID NOT ASSESS THE FUNCTIONALITY OF PMS	<ul style="list-style-type: none"> The internal auditors did not assess the functionality of the Performance management System as per Regulation 14(1)(b)(i) Oversight by Internal Auditor 	<ul style="list-style-type: none"> Internal audit should assess the functionality of the PMS as per Regulation 14(1)(b)(i) 	Deputy Manager Internal Audit	31-Mar-14	
STRATEGIC PLANNING AND PERFORMANCE: THE REVISED SDBIP WERE NOT APPROVED BY COUNCIL AFTER ADJUSTMENT BUDGET	<ul style="list-style-type: none"> The SDBIP were not updated and approved by council after the adjustment budget 	<ul style="list-style-type: none"> SDBIP's should be updated and approved by council after the adjustment budget Revised SDBIP which are aligned to the budget adjustment must be approved by Council after the adjustment budget 	Acting Manager Corporate Services	31-Mar-14	
STRATEGIC PLANNING AND PERFORMANCE: APR DID NOT HAVE COMPARITIVE INFOMATION	<ul style="list-style-type: none"> The Annual Performance report did not include prior years information as comparative information and corrective measures The municipality did not use the prescribed format in terms of the annual performance reporting as it was only expected to comply in 2013/2014 financial year 	<ul style="list-style-type: none"> The Annual Performance report should include prior years information as comparative information and corrective measures 	Deputy Manager Planning and Development	31-Mar-14	
STRATEGIC PLANNING AND PERFORMANCE: AUDIT COMMITTEE DID NOT REVIEW AND RECOMMEND ON PMS	<ul style="list-style-type: none"> There were no evidence that the audit committee reviewed and made recommendation in relation to the Performance management System 	<ul style="list-style-type: none"> Audit committee should review and recommend in relation to the PMS 	Deputy Manager Internal Audit / Deputy Manager Planning and Development	31-Mar-14	
PREDETERMINED OBJECTIVES: IDP MEASURES OR INDICATORS AND TARGES WHERE CHANGED WITHOUT FOLLOWING THE PROCESS AS PRESCRIBED ACCORDING TO SECTION 34 OF MSA	<ul style="list-style-type: none"> Section 34 of MSA process not followed once IDP were changed 	<ul style="list-style-type: none"> Follow Section 34 as per MSA once IDP changes 	Deputy Manager Planning and development	28-Feb-14	
STRATEGIC PLANNING AND PERFORMANCE: FMPPI TIME PERIOD OR DEADLINE BE SPECIFIED	<ul style="list-style-type: none"> Management were not aware of the FMPPI requirements for time period/deadlines 	<ul style="list-style-type: none"> Targets for basic service delivery and infrastructure development should be time bound 	Deputy Manager Planning and development	28-Feb-14	

PREDETERMINED OBJECTIVES: FMPPI REQUIRED COLLECT, COLLATE, VERIFY AND STORE PERFORMANCE INFORMATION		<ul style="list-style-type: none"> • Targets in relation to basic service delivery and infrastructure development were materially misstated due to lack of standard operating procedure of monitoring the completeness of source documents 	<ul style="list-style-type: none"> • Standard operating procedures should be followed to ensure completeness of source documents and accuracy of targets 	Deputy Manager Planning and development	28-Feb-14	
PRETERMINED OBJECTIVES: LACK OF REVIEW OF THE PRESENTATION OF APR		<ul style="list-style-type: none"> • AG could not obtain adequate and reliable corroborating evidence for measures and planned targets taken to improve annual performance 	<ul style="list-style-type: none"> • Ensure sufficient, adequate and reliable evidence is available to improve annual performance 	Deputy Manager Planning and development	28-Feb-14	
CREDITORS: NOT PAID WITHIN 30 DAYS		<ul style="list-style-type: none"> • Cash flow restrains due to arrears debtors accounts as well as arrears creditors 	<ul style="list-style-type: none"> • Cash flow committee meetings are held on a weekly basis. • Cash flow committee comprising of the MM, Executive Mayor and Speaker to monitor the weekly cash flow. • Arrangements with creditors are made for late payments. • Prioritize long outstanding creditors, stationary obligations and interest charging creditors first to minimize interest being charged. • Ring fence cash for certain specific payments. • Cash flow committee to advise on arrangements with creditors and once arrangement is agreed upon, service the agreement 100%. 	Deputy Manager Expenditure	1 July 2013 and ongoing daily.	
UNAUTHORISED EXPENDITURE: NOT CONDONED BY COUNCIL AND REPORTED TO MEC AND AG		<ul style="list-style-type: none"> • Unauthorized expenditure were incurred due to non-cash items such as depreciation and rehabilitation cost of landfill sites were not budgeted for. 	<ul style="list-style-type: none"> • Unauthorized expenditure in relation to items not budgeted for should be reported to all relevant parties as per MFMA * Ensure all non-cash items is estimated and provided for in adjustment budget 	Deputy Manager Planning and development	31-Jan-14	
IRREGULAR EXPENDITURE: NOT CONDONED BY COUNCIL		<ul style="list-style-type: none"> • SCM did not ensure all suppliers supplied a declaration form • SCM did not ensure all suppliers supplied a tax clearance certificate • SCM lead tenderer to be unfairly disqualified 	<ul style="list-style-type: none"> • SCM should ensure all suppliers supplied a declaration form if registered on database • SCM should ensure all suppliers supply a valid tax clearance certificate • SCM should ensure that tenderers is not unfairly disqualified 	Deputy Manager Supply Chain & Assets	31-Jan-14	

MANAGEMENT REPORT						
PPE: DISPOSALS OF LAND AND BUILDINGS NOT ACCURATLY ACCOUNTED FOR		<ul style="list-style-type: none"> No accurate and complete record keeping 	<ul style="list-style-type: none"> Planning and development should develop a system to ensure once offer to purchase is accepted by client, money is paid and receipt, issue before continuation with transaction Ensure once paid ownership transferred 	Deputy Manger Planning & Development	Monthly	
PPE: OTHER ASSETS -ASSETS NOT CONSIDERED FOR IMPAIRMENT & WRITE OFFS		<ul style="list-style-type: none"> Lack of accurate and complete financial and performance reports 	<ul style="list-style-type: none"> Assets will be considered for impairment / write off as required 	Deputy Manager Supply Chain / Snr Acc Assets	Monthly	
PPE: THERE IS NO POLICY FOR ROAD INFRASTRUCTURE		<ul style="list-style-type: none"> An asset policy is in place which deal with all infrastructure assets and then having PMU who manage all infrastructure projects. All road issues are included in the Technical services SDBIP 	<ul style="list-style-type: none"> The municipality management should ensure that the approved policy to manage and monitor road infrastructure projects effectively is in place. 	Deputy Manager Supply Chain Snr Acc Assets	30-Jun-14	
PPE: ADDITIONS TO WIP DOT NOT AGREE TO SUPPORTING DOCUMENTS		<ul style="list-style-type: none"> No implementation of proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting 	<ul style="list-style-type: none"> Management should ensure that accurate relevant information is accessible and is available for audit purposes to support the AFS figures. 	Deputy Manager Supply Chain Snr Acc Assets	Monthly	
PPE: ASSETS ON VALUATION ROLL NOT ON ASSET REGISTER		<ul style="list-style-type: none"> All the assess that the municipality has the rights to or that belong to the municipality were not included in the assets register. 	<ul style="list-style-type: none"> Land audit should be done reviewed and used to update assets register 	Deputy Manager Supply Chain Snr Acc Assets	Monthly	
INVESTMENT PROPERTY: MISCLASSIFIED AS LAND AND BUILDING		<ul style="list-style-type: none"> Management did not assess the usage of the property properly to ascertain whether it should be classified as land and buildings held for use or investment property. 	<ul style="list-style-type: none"> Management should reclassify property that are used for rental purposes or capital appreciation to investment property 	Deputy Manager Supply Chain & Assets Snr Acc Assets	28-Feb-14	
COMMUNITY ASSETS : MISCLASSIFICATION OF COMMUNITY ASSETS		<ul style="list-style-type: none"> Community hall were incorrectly classified as land and buildings instead of community assets. 	<ul style="list-style-type: none"> Management should thoroughly review fixed asset register to ensure that assets are correctly classified 	Snr Acc Assets / Deputy Manager Supply Chain & Assets	28-Feb-14	

RECEIVABLES : RATES USED FOR IMPAIRMENT CALCULATION HAVE NO BASIS	<ul style="list-style-type: none"> • Estimations were used as per GRAP 3, but additional supporting documents were required. 	<ul style="list-style-type: none"> • AFS 2013/2014 supporting worksheets will be provided 	Deputy Manager Revenue	30-Jun-14	
REVENUE: NON COMPLIANCE TO SECTION 1(H) - EXEMPTION OF R15 000 DISREGARDED	<ul style="list-style-type: none"> • The rates of the current year was calculated on the market value ,not the market value excluding the R15,000 exemption for residential properties .The misstatement occurred when the rates for the current year was calculated on the market value ,not the market value excluding the exemption of R15,000.The revenue (property rates) disclosed in the current financial year relating to residential properties is overstated .The journal that should be posted to correct the misstatement is to debit revenue with R214,099.78 and credit receivables with the same amount. 	<ul style="list-style-type: none"> • Reconciliations and review of accounts billed should be done 	Deputy Manager Revenue	Monthly	
EXPENDITURE: EMPLOYEE COSTS - PAYMENT ADVISE FOR SALARIES IS NOT APPROVED AND REVIEWED.	<ul style="list-style-type: none"> • Inadequate internal controls to ensure that the financial information reported is accurate and complete 	<ul style="list-style-type: none"> • The CFO must do a spot check on employees and agree payments to supporting reports and documents. This printout should then be signed off by the CFO as reviewed and authorized for payment. 	Deputy Manager Expenditure	Monthly	
EXPENDITURE: VAT RETURNS ARE NOT SUBMITTED WHEN THEY ARE DUE.	<ul style="list-style-type: none"> • VAT 201 returns were not submitted to SARS on time as prescribed by section 28 	<ul style="list-style-type: none"> • It is recommended that the CFO authorized to submit returns via E-filing. To ensure compliance with due dates. 	Deputy Manager Expenditure	Monthly	
HR - SENIOR MANAGERS DO NOT HAVE THE MINIMUM COMPETENCY LEVELS	<ul style="list-style-type: none"> • Leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place. 	<ul style="list-style-type: none"> • Management should design and implement internal controls to ensure that senior management positions are held by personnel with minimum competency levels. 	Manager Corporate Services	28-Feb-14	

HR: CONTROL ENVIRONMENT - COMPENSATION AND PROMOTIONS ARE NOT BASED ON ACHIEVEMENTS AND PERFORMANCE	<ul style="list-style-type: none"> Inadequate internal controls to ensure that the general staff is compensated and promoted in terms of transparent processes based on performance. 	<ul style="list-style-type: none"> Management should ensure that the proper performance appraisals are developed to ensure transparent compensation and promotion of employees. 	Acting Manager Corporate Services	Monthly	
HR: CONTROL ENVIRONMENT - EMPLOYEES DO NOT PERIODICALLY ACKNOWLEDGE ADHERENCE TO THE CODE OF CONDUCT	<ul style="list-style-type: none"> Lack of internal controls to ensure that staff adheres to policies and procedures as set by the municipality. 	<ul style="list-style-type: none"> Management should develop processes to ensure that employees acknowledge adherence to the internal policies and procedures 	Acting Manager Corporate Services	Quarterly basis	
SCM: LESS THAN THREE QUOTATIONS OBTAINED	<ul style="list-style-type: none"> Non-compliance with laws and regulations and internal control procedures related to Supply Chain Management 	<ul style="list-style-type: none"> Management should ensure compliance with Emakhazeni Local Municipality's Supply Chain Management Regulations in all material respect. 	Deputy Manager Supply Chain & Assets Senior Clerk Supply Chain	Each month end (Section 80)	
SCM: TAX CLEARANCE CERTIFICATE NOT PROVIDED	<ul style="list-style-type: none"> Compliance with laws and regulations and internal control procedures related to Supply Chain Management were not adhere to. 	<ul style="list-style-type: none"> Management should ensure compliance with Emakhazeni Local Municipality's Supply Chain Management Policy Reg 43 in all material respect. 	Deputy Manager Supply Chain & Assets Senior Clerk Supply Chain	Each month end (Section 80)	
SCM: DECLARATION NOT ATTACHED TO PAYMENT VOUCHER	<ul style="list-style-type: none"> Compliance with laws and regulations and internal control procedures related to Supply Chain Management were not adhere to. 	<ul style="list-style-type: none"> Management should ensure compliance with Emakhazeni Local Municipality's Supply Chain Management Regulations in all material respect. 	Deputy Manager Supply Chain & Assets	Each month end (Section 80)	
SCM: NO COMPETITIVE BIDDING FOR AWARDS ABOVE R120 000	<ul style="list-style-type: none"> Transactions did not go through the competitive bidding process and the deviations were not included in the deviation list presented in the Annual financial statements 	<ul style="list-style-type: none"> Supply chain must ensure that each month deviation is reported correctly and accurately 	Deputy Manager Supply Chain & Assets	Each month end (Section 80)	
SCM: BID REGISTER AND RESULTS NOT PUBLISHED ON THE MUNICIPALITY'S WEBSITE	<ul style="list-style-type: none"> Non compliance with Supply Chain Management regulations section 23(c) (iii) 	<ul style="list-style-type: none"> CFO will ensure that the entries to the register and bids results are published on the municipal website. 	Deputy Manager Supply Chain & Assets	Daily / As required	
SCM: TRANSACTION ABOVE R30 000 NOT ADVERTISED	<ul style="list-style-type: none"> Compliance with MFMA Regulations not done. 	<ul style="list-style-type: none"> Adverts will be made on the website and on the notice board of the municipality for at least seven (7) days 	Deputy Manager Supply Chain & Assets	Daily / As required	
SCM: COMPETITIVE BIDDERS DISQUALIFIED UNFAIRLY	<ul style="list-style-type: none"> The accounting officer does not exercise oversight responsibility over compliance with MFMA Regulations 	<ul style="list-style-type: none"> Management must ensure compliance with MFMA sec 112 in all material respect. 	Deputy Manager Supply Chain & Assets	Daily / As required	
SCM: SUPPLIERS DID NOT DECLARE THEIR INTEREST	<ul style="list-style-type: none"> Compliance with SCM were not done. 	<ul style="list-style-type: none"> Ensuring compliance with Supply chain regulations and enforce measures that will prevent the awarding of contracts or quotations to the state employees. 	Deputy Manager Supply Chain & Assets	Daily / As required	

AOPO : THE MUNICIPALITY DOES NOT REVIEW THE PERFORMANCE MANAGEMENT SYSTEM	<ul style="list-style-type: none"> No standard operating procedures are in place to monitor and review the performance management system of the municipality in accordance with the MSA, section 40 	<ul style="list-style-type: none"> Management should periodically review its performance management system as required by section 40 of the Municipal Systems Act. 	Deputy Manager Planning and development	Quarterly basis	
AOPO : ANNUAL PERFORMANCE REPORT DOES NOT INCLUDE COMPARISONS TO PRIOR YEAR	<ul style="list-style-type: none"> There are no policies and procedures in place to guide performance reporting processes. 	<ul style="list-style-type: none"> Will be correct for the next financial year as a new year template is being introduced. 	Deputy Manager Planning and development	31-Jan-14	
AOPO : AUDIT COMMITTEE AND THE INTERNAL AUDITORS DID NOT REVIEW THE PMS	<ul style="list-style-type: none"> Lack of adequate internal controls to review the municipality's performance management system. 	<ul style="list-style-type: none"> Audit committee and internal auditors should periodically assess and review performance management system and accordingly advise the council through recommendations 	Deputy Manager Internal Audit	30-Apr-14	
AOPO: TARGETS NOT ACHIEVED	<ul style="list-style-type: none"> Municipality did not exercise oversight responsibility regarding financial and performance reporting and compliance with related internal controls 	<ul style="list-style-type: none"> Municipality should ensure that they exercise oversight responsibility regarding financial and performance reporting 	Municipal Manager / Mr Abdulla	28-Feb-14	
RECEIVABLES: CONSUMER DEBTORS NOT INCLUDED IN THE VALUATION ROLL.	<ul style="list-style-type: none"> New extension which is not yet on valuation roll 	<ul style="list-style-type: none"> Valuation roll extraction was attached indicating that the mentioned accounts are held either by owner or tenant The valuation roll detail will always be in the name of the owner. 	Deputy Manager Revenue	Monthly	
INTERNAL AUDIT: RISK ASSESSMENT - THE FOLLOWING RISKS IDENTIFIED ARE NOT INCLUDED IN THE RISK REGISTER	<ul style="list-style-type: none"> Management did not ensure that all significant risks were identified and properly evaluated during risk assessment process 	<ul style="list-style-type: none"> When risk assessment is done management will identify all relevant significant risks. 	Risk Officer		
AOPO: THERE ARE NO STANDARD DOCUMENTED OPERATING PROCEDURES OR POLICIES FOR THE COLLECTION, COORDINATING AND COMPILING OF PERFORMANCE INFORMATION	<ul style="list-style-type: none"> Lack of internal controls to ensure the proper monitoring of the reported performance information. 	<ul style="list-style-type: none"> The procedure manual will be developed for council to approve and to implement. 	Acting Manager Corporate Services	31-Mar-14	
AOPO : PROJECTS REPORTED IN THE APR COULD NOT BE TRACED ON THE FIXED ASSETS REGISTER	<ul style="list-style-type: none"> Projects in APR were not reflected in the municipality fixed asset register resulting in incompleteness of the fixed asset register 	<ul style="list-style-type: none"> Asset management unit should review the AOPO to determine projects and monthly follow up on the progress 	Deputy Manager Supply Chain & Assets Snr Acc Assets	Monthly	
AOPO: NO MEASURES ARE TAKEN TO IMPROVE PERFORMANCE	<ul style="list-style-type: none"> Due to cash flow constraints this item was budgeted for but did not materialize due to the cash being channeled to hard core service delivery issues 		Manager Community & Manager Technical Services		

<p>AOPO: INDICATORS WITHOUT TARGETS</p>	<ul style="list-style-type: none"> The function of licensing is a contracted service and the municipality acts as an agent hereto. Targets in terms of fees is as per an SLA (service level agreement) based on the Revenue received for services rendered and in line with the Provincial Gazette No.1912. 	<ul style="list-style-type: none"> Management need to ensure that all AOPO have targets. 	<p>Manager Community Services</p>	<p>Monthly</p>	
<p>AOPO: NO CONTROLS IN PLACE TO MITIGATE THE IDENTIFIED RISK</p>	<ul style="list-style-type: none"> Not having an improved paper trail confirming the work done on the ground by immediate supervisors. Will be implemented from 2013/14 due to the fact that the service delivery managers have been appointed since July 2013 to improve on reporting. 	<ul style="list-style-type: none"> Control measures need to be improved during the 2013/14 financial year. 	<p>Manager Community and Manager Technical Services</p>	<p>31-Mar-14</p>	
<p>ICT: GENERAL CONTROLS</p>	<p>IT</p> <ul style="list-style-type: none"> IT management should also ensure that the access activities of the service provider in the production environment for the Munsoft system are monitored and reviewed to ensure that only authorised and tested changes were made. Evidence of such reviews should be kept for audit purposes. 	<ul style="list-style-type: none"> Review of users to ensure authorized users 	<p>Acting Deputy Manager ICT</p>	<p>Monthly</p>	
<p>APR: AUDIT COMMITTEE - MEMBERSHIP OF THE AUDIT COMMITTEE IS NOT PUBLISHED IN THE ANNUAL REPORT</p>	<ul style="list-style-type: none"> There is no audit committee's report in the 2011/2012 annual report. 	<ul style="list-style-type: none"> In the final annual report for 2012/2013 this items will be included. 	<p>Deputy Manager Internal Audit</p>	<p>31-Jan-14</p>	
<p>HR: EMPLOYEE COST- COMPLIANCE OF LEAVE</p>	<ul style="list-style-type: none"> Leave register and leave provisions do not agree 	<ul style="list-style-type: none"> Employees encouraged taking their vacation leave days or forfeiting the days in access. Take stock of all the employees vacation leave and adjust them to be within the 48 days by doing away with those days in access 	<p>Acting Manager Corporate Services</p>	<p>Monthly</p>	
<p>VAT RECONCILIATIONS NOT DONE ON REGULAR BASIS</p>	<ul style="list-style-type: none"> No apportionment was done in the financial year 2011/2012 	<ul style="list-style-type: none"> Max Prof is appointed to do a VAT review and will also do a VAT apportionment calculation for the year. Training will be provided by Max Prof to all supply chain officials and expenditure department official to ensure correct capturing of orders and invoices in terms of VAT. 	<p>Deputy Manager Expenditure</p>	<p>15-Feb-13</p>	

PPE: IMPAIRMENT OF ASSETS NEEDS TO BE DONE		<ul style="list-style-type: none"> Some assets were identified by the AG to be considered for impairment 	<ul style="list-style-type: none"> Monthly assets verification is done, but only the employees in the head office (Belfast) mostly. There is lack of commitment from 80 percent of the employees to perform this exercise. All the head of departments need to ensure that all their staff performs this monthly verification of assets and sends it through to the SCM unit in order to maintain the asset register. We need personnel in the SCM unit which will focus only on the maintenance of the assets register which entails addition, de-recognition, impairment and depreciation of the assets as well as journalizing it on the system. 	Deputy Manager Supply Chain & Assets	31 January 2014 and monthly thereafter	
NON-CURRENT ASSETS: DEPOSITS OF LAND NEEDS TO BE REMOVED FROM ASSET REGISTER ONCE TRANSFERRED		<ul style="list-style-type: none"> The Asset register contained assets that were in the process of being disposed off and the concern was that the asset register is no regularly updated 	<ul style="list-style-type: none"> A second weekly meeting between Revenue, Planning & Development and Supply Chain & Asset Management should be held to review all submission of "offer to purchase" and follow up on all issued purchase letters. - Once asset is sold, the asset register with all relevant transactions should be updated 	Deputy Manager Supply Chain & Assets Deputy Manager Planning & Development	Daily and on-going	
INVESTMENT PROPERTY: NON-CURRENT ASSETS HELD FOR SALE SHOULD BE CLASSIFIED CORRECTLY ON ASSET REGISTER		<ul style="list-style-type: none"> Non current assets for sale was classified together with Investment property on the asset register 	<ul style="list-style-type: none"> Review of the asset register should be done regularly and ensure assets meet the specific GRAP classifications 	Deputy Manager Supply Chain & Assets Snr Acc Assets	Monthly	
INVENTORY: PERIODIC RECONCILIATION OF INVENTORY		<ul style="list-style-type: none"> Reconciliation were found not to be periodically 	<ul style="list-style-type: none"> Currently we account for inventory only on a regular basis as well as year-end reconciliation 	Deputy Manager Supply Chain & Assets Snr Acc Assets	Each quarter	
INVENTORY: INVENTORY MONITORING SYSTEM NOT IN PLACE AT STORES		<ul style="list-style-type: none"> Inventory system were done on a manual system which led to the monitoring being weak 	<ul style="list-style-type: none"> Currently we account for inventory on a manual system We need to move our inventory from manual system to our Munsoft accounting system Training need to be provided to SCM staff to ensure correct capturing of stock when purchased and issued. 	Deputy Manager Supply Chain & Assets Snr Acc Assets	Daily and on-going	
REVENUE: NO RECONCILIATION SUBMITTED FOR INTERNAL USAGE FOR WATER/ELECTRICITY		<ul style="list-style-type: none"> Only estimates were used for calculation of internal usage 	<ul style="list-style-type: none"> We are going to do it in phases We outsource funds to put meter on our property so that we can calculate our own usage 	Manager Technical Services	30-Jun-14	
INDIGENT FUND: APPLICATION FORMS APPROVED SHOULD SIGNED		<ul style="list-style-type: none"> Indigent names were on approved indigent list but the application forms were not signed 	<ul style="list-style-type: none"> Approval letter signed by MM All forms were received and signed 	Deputy Manager Revenue	30-Jun-14	
REVENUE: NO REGISTER OF DISCONNECTIONS AND RECONNECTIONS LINKING EACH OTHER AVAILABLE FOR AUDIT		<ul style="list-style-type: none"> A separate register for disconnection and reconnections were kept 	<ul style="list-style-type: none"> We started on January 2013 to create a register We will consolidate all register from all satellite offices 	Deputy Manager Revenue	On a monthly basis	
REVENUE: IMPROVEMENTS MADE ON PROPERTIES NOT ACCOUNTED FOR ON DEBTORS ACCOUNTS		<ul style="list-style-type: none"> No supporting document received from Planning and Development to update financial system 	<ul style="list-style-type: none"> Check the supplementary roll against the financial system Liaise with Planning and Development with regard to approve building plans 	Deputy Manager Planning & Development Deputy Manager Revenue	Quarterly basis	

EXPENDITURE: PAYROLL NOT SIGNED OFF BY CFO	<ul style="list-style-type: none"> No journal authorised on the paper only on the system 	<ul style="list-style-type: none"> A summary page is created with totals of VIP and Munsoft and signed by the relevant parties. Regular reviews of journals to ensure all journals are authorized 	Deputy Manager ExpenditureSnr Accountant Salaries	30-Jul-12	
SUPPORTING DOCUMENTATION: IMPROVEMENTS MADE ON PROPERTIES SHOULD BE SEND TO REVENUE DEPARTMENT FOR UPDATING CUSTOMER ACCOUNTS	<ul style="list-style-type: none"> No supporting documents were available for the audit at the Technical Services department which lead to under collection of revenue 	<ul style="list-style-type: none"> Building Inspectors informed to submit lists of completed houses to finance to do valuations Inspectors must from time to time inspect the houses and give report to Finance of each completed house 	Deputy Manager Planning & Development	01/03/2013 and daily	
FRINGE BENEFITS: RENTAL FOR ACCOMODATION IS NOT CHARGED AT MARKET RELATED VALUE	<ul style="list-style-type: none"> Corporate services did not charge market related rental for accommodation and also did not inform finance to calculate fringe benefits 	<ul style="list-style-type: none"> Properties are rated according to the Property Rates Act , Policy and the By-law but the accommodation rental was rated at 6% of the employees' salary To acquire services of the private Valuer to give new rental costs to municipal properties on lease. 	Manager Corporate Services	30 June 2014 Ongoing	
LEASE REGISTER: THE LEASE REGISTER IS NOT UP TO DATE WITH ALL LEASES (FINANCE OR OPERATING)	<ul style="list-style-type: none"> The lease register is not updated regularly and does not meet the required information as per GRAP standards 	<ul style="list-style-type: none"> The Lease Register at hand is updated so is the Asset Register whenever the Contract Management Committee is to sit and after its meeting. Re-do the physical verification of municipal assets on lease. Very the Lease Register against the Asset Register. 	Manager Corporate Services	28-Feb-14	

Having considered all the issues raised in four above as well as the comments of the Accounting Officer, the Municipal Public Accounts Committee resolved to recommend as follows:

1. That the concerns raised by the Auditor-General and members of the public are noted and that the corrective measures to be taken be monitored closely by the Executive Mayor and overseen by Council.
2. That Council adopts the Annual Report for 2012/2013 financial year without reservations.
3. That the proposed Oversight Report with regards to the 2012/2013 Annual Report be approved and adopted.

FOR CONSIDERATION