

OVERSIGHT REPORT

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE



FINANCIAL YEAR
2018/2019

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1. Background

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

Non-executive councillors are required to maintain oversight on the performance of specific responsibilities and delegated power that have given to the Mayoral Committee. In other words, in exchange for the powers in which Council have delegated to the Mayoral Committee, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non-performance of the municipality.

The Municipal Finance Management Act, 56 of 2003 vest in Council specific powers of approval and oversight.

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

2. Discussion

The MPAC engaged the communities on the Annual Report for the financial year 2018/2019 whereby attendance was not satisfactory in some units. Marquard we had to reconvene the meeting twice without success despite all the normal means which were made for them to attend. The meetings with the community were held on different dates and venue in entire Setsofo, the members of the Municipal Public Accounts Committee did not always honour the scheduled of the community meeting(refer to chapter 4).

3. Duties of the Municipal Public Accounts Committee

The primary duties of the MPAC shall be to report to Council on activities of the Committee, to conduct investigation on the unauthorised, irregular, fruitless and wasteful expenditures and to present the oversight report to the Council for consideration and approval.

In respect of the Oversight Report as per section 129(1):-

- To consider and evaluate the content of the Annual Report of the Council and to develop the oversight report which will include recommendations to Council when considering an oversight report on the annual report;
- During a formal meeting of the MPAC none of the Directors nor Municipal Manager were there to respond to the MPAC questions that the committee may have regarding the Annual Report 2018/2019 Financial Year, however the Speaker did attend the MPAC meeting and only written apology was received from Municipal Manager;
- To review and track the comments and resolution as per the Oversight Report in respect of the evaluation of the Annual Report, in order to ensure that matter is concluded that may not previously have been finalised.

The secondary duties of the MPAC are also as follows: -

- Quarterly report of the Executive Mayor on the implementation of the budget and the state of affairs of the municipality/SDBIP (section 52(d));
- Monthly budget statement (section 71);
- Mid-year budget and performance assessment (section 72);
- Disclosures concerning councillors, directors and officials (section 124);
- Annual Financial Statements (section 126);
- Submission of the Annual Report (section 127);
- Oversight report on the Annual Report (section 129);
- Issues raised by the Auditor General of South Africa in Audit Reports (section 131); and
- Disciplinary action instituted in terms of the MFMA.

4. Composition of the Municipal Public Accounts Committee

The Committee of Council established under section 79 of the Municipal Structures Act, 117 of 1998. Section 79 allows for the co-option of advisory members to a committee of Council, who are not members of the Council.

The MPAC consist of the following Councillors: -

Attendance of the meeting

Name	Gender	Political Party	Position	11 Feb 2020	18 Feb 2020	19 Feb 2020	20 Feb 2020	21 Feb 2020
Cllr Mavafeliso P I	Male	African National Congress	Chairperson	Yes	Yes	Yes	Yes	Yes
Cllr Sellane M T	Female	African National Congress	Member	Not Attended	Yes	Not attended	Not Attended	Not attended
Cllr Khatlake NP	Male	African National Congress	Member	Yes	Not Attended	Yes	Yes	Yes
Cllr Mthimkhulu TI	Male	African National Congress	Member	Yes	Yes	Not Attended	Not Attended	Yes
Cllr Mohosho M A	Female	Economic Freedom Fighter	Member	Yes	Absent with apology	Absent with apology	Absent with apology	Absent with apology
Cllr Matsau M P	Male	United Front of Civics	Member	Not Attended	Yes	Not Attended	Yes	Not Attended
Cllr Schee P C	Female	Democratic Alliance	Member	Yes	Yes	Not Attended	Yes	Not Attended

The following officials serves as support staff to the committee: -

Lebeko D S	Chief Audit Executive – as per invitation
Mokatile K J	MPAC Clerk
Potloane T W	PMS Clerk
Koiee R C	Finance Intern

Due to the separation of roles and responsibilities between Council, the Executive Mayor and Mayoral Committee Members, it is not appropriate that members of the Mayoral Committee be members of the Municipal Public Accounts Committee.

5. Accountability framework

It is important to have some understanding of the accountability framework for municipality in order to correct understanding the role of the Oversight Report as a distinct form from that of the Annual Report and any other reports required from the municipality.

The following table displays the nature of the accountability framework for local government: -

Body/Person	Responsible for	Oversight over	Accountable to
Council	Approving policy and budget	Mayoral Committee	Community
Mayoral Committee	Policy, Budget, outcomes, management of/oversight over Municipal Manager	Municipal Manager	Council
Municipal Manager	Outcomes and implementation	Administration	Mayoral Committee
Section 56 Manager	Outputs and implementation		Municipal Manager

The Annual Report for the financial year 2018/2019 is submitted to the Council by the Executive Mayor and the Municipal Manager and is part of the process for discharging accountability the executive and administration for their performance in achieving the objective 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 to the community disclosing the level of the success or otherwise, obtained with meeting the priority needs and stated desires of the community as contained in the IDP.

This Oversight Report is for the financial year ended 30 June 2019. The Annual Report was presented to Council on 24 January 2020 for further engagement.

6. What is the oversight report?

The oversight report is the final major step in the annual reporting process of a municipality. It is a report of the municipal council and follows consideration and consultation on the annual report by the council itself. Thus, the full accountability cycle is completed, and the separation of powers is preserved to promote effective governance and accountability.

Section 129 of the MFMA requires the council to consider the annual reports of its municipality and municipal entities and to adopt an "oversight report" containing the council's comments on each annual report.

The oversight report is thus clearly distinguished from the annual report. The annual report is submitted to the council by the accounting officer and the mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals set by council.

7. Summary of Issues and Comments

Below is the comment from the Auditor General of South Africa

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2.1 Basis for qualified opinion of Property assets, Receivable and Revenue charges.

2.2 A material uncertainty exists that may cast significant doubt on the Municipality ability to continue as a going concern at 30 June 2019.

2.3 Refers to 3.17, 3.18, 3.19, on Audit outcomes for the financial year 2018/2019(attached the audit outcome)

2.3.1 Unauthorized expenditure

- The Municipality has incurred an expenditure amounting to R 616 million during 2018/2019 financial year.

2.3.2 Irregular expenditure

- An amount of R77 million was incurred as irregular during 2018/2019 financial year.

2.3.3 Fruitless and wasteful expenditure

- R3 350 092 was incurred as fruitless and wasteful expenditure during 2017/2018 financial year.

Issues raised by the members of the community are contained in the minutes of the meeting of 11 February 2020 and 18, 19, 20, 21 February 2020 and the follow up meeting of 3 March 2020. See Attached Annexure A to F.

8. Summary of Reservation and Corrective Actions to be taken by Council, Mayoral Committee and Administration

The Committee recommend to Council the following: -

1. Council, having fully considered the Annual Report 2018/2019 of Setsoto Local Municipality, adopts the Oversight Report 2018/2019, a copy of which is attached to the signed minutes of this meeting;
2. Council approves the Annual Report 2018/2019 of Setsoto Local Municipality without reservations;
3. The Oversight Report 2018/2019 is made public in accordance with section 129(3) of the Municipal Finance Management Act, 56 of 2003;
4. The Oversight Report 2018/2019 is submitted to the Provincial legislature in accordance with section 132(2) of the Municipal Finance Management Act, 56 of 2003
5. All community halls must be repaired, maintained and monitored;
6. Property, Plant and Equipment of the Municipality must be repaired;
7. Recommendation of the corrective measures on the findings by Auditor General be implemented;
8. The Council should monitor the effective functioning of key controls at the Municipality through the submission by the committees;
9. All installed water meters in townships be calibrated into the municipal reading system to decrease levels of unaccounted water;
10. Council to ensure that the Department of Engineering Services come up with a turnaround plan on fixing water leakages within reasonable time in all units;
11. Department of Engineering Services come up with mechanisms to familiarise itself with all underground infrastructure in all four units;
12. The by-laws tariffs be approved and adopted by the council at the same time with the budget and be submitted to the Department of Justice for implementation (Next Financial Year);
13. Council to provide the necessary resources to capacitate the Local Economic Division to carry out its duties effectively;
14. Council to review the Local Economic Development Policies to ensure that they empower the local entrepreneurs;
15. The municipal Procurement Policy to be aligned with the Local Economic Development Policy to address the concern of empowering local communities;

16. The organisational structure to be reviewed;
17. Human Resource Policy must be reviewed and be aligned with the Collective Agreement;
18. Council to conduct a customer satisfactory survey next financial year;
19. All councillors must always encourage community to pay services and all township pay points must be fully operational to allow people to pay for their services;
20. Executive Mayor and Chief Financial Officer to come up with financial strategy on how to collect the money and Director of Engineering Service to compile Capital Infrastructure investment plan;
21. The Office of the Speaker must develop Ward Operational Plans and report to council on a quarterly basis;
22. The Office of the Speaker must ensure that the Municipal Public Accounts Committee be fully capacitated in terms of personnel, financial and other resources to effectively execute its mandate;
23. Development Projects implementation must always be monitored by the Steering Committee up to the end;
24. Officer of the Executive Mayor must often communicate with Free State Provincial Government regarding Provincial and National projects happening in our Municipality to avoid in completed projects;
25. Council to speedup implementation of Land Use Skill, that was approved by Council;
26. Improvement of Communication Unit;
27. Council to ensure that ePerformance Management System be implemented to ensure a reliable service delivery monitoring tool. Accounting Officer provide the report regarding the system

9. Previous recommendations of the MPAC on Annual Report 2018/2019 not implemented

Note; the following recommendations point number 9,10,11,12,13,14,15,16,21 and 22 were recommendations from the previous Annual Report 2017/2018 and were not implemented, therefore the Committee recommend the Accounting Officer to report back to the committee on the implementation of this Report after the adoption by Council.



Cllr Mavaleliso P I
Chairperson of the MPAC

Date: 13 March 2020