

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY



## OVERSIGHT REPORT FOR THE 2019 /2020 ANNUALREPORT



*"The agro-economical and ecotourism heartland"*

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## 1. PURPOSE

To inform Council about the work of the Municipal Public Accounts Committee (MPAC) and to make recommendations to Council as required in terms of Section 129 (1) of the Local Government: Municipal Finance Management Act 56 of 2003 on the draft 2018/2019 annual report.

## 2. BACKGROUND

In terms of Section 129 (1) of the Local Government: Municipal Finance Management Act 56 of 2003, Council of a Municipality must consider the annual report of the Municipality by no later than two months from the date on which the annual report was tabled in 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.

In terms of section 121 (1) of the Local Government: Municipal Finance Management Act 56 of 2003: the council of a municipality must within nine months after the end of financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

During council meeting of the 29 April 2021, the Mayor tabled the Draft 2019/2020 Annual Report as prescribed by Section 127 (2) of the Local Government: Municipal Finance Management Act 56 of 2003. In dealing with the tabled annual report, Council resolved inter alia:

1. *"That council notes the audit report for 2019/2020 financial year.*
2. *That considers the draft Annual Report for the 2019/2020 financial year in its entirety including the auditor general's report, audit action plan developed to address the audit findings.*
3. *That council refer the draft annual report to MPAC for further consideration and evaluation within the provision of Treasury Circular No. 63 for oversight report.*
4. *That, as prescribed by Section 127(5) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the Accounting Officer ensures that the annual report is made public in accordance with Section 21A of the Municipal Systems Act and that the local community are invited to submit representations in connection with the annual report, and that the annual report be submitted to the Auditor-General, the relevant Provincial Treasury and the provincial department responsible for local government."*

### **3. ESTABLISHMENT OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE. (MPAC)**

During 2016, Elias Motsoaledi Municipal Council resolved to establish a Municipal Public Accounts Committee (MPAC) in terms of the provisions of the Local Government: Municipal Structures Act (Act 117 of 1998) and the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) to serve as an Oversight Committee to exercise oversight over the executive obligations of Council. In terms of SALGA's Practical Guide on MPACs (2012:10-14) the terms of reference for the MPAC include the interrogation of the following financial aspects addressed in the Municipal Finance Management Act:

- (i) Unforeseen and unavoidable expenditure;
- (ii) Unauthorized, irregular or fruitless and wasteful expenditure;
- (iii) The quarterly report of the Mayor on the implementation of the budget and the state of affairs of the municipality / SDBIP;
- (iv) Monthly budget statements;
- (v) Mid – year budget and performance assessment;
- (vi) Mid – year budget and performance assessment of municipal entities – currently not applicable to Elias Motsoaledi Municipality;
- (vii) Disclosures concerning councilors, directors and Officials;
- (viii) Submission and auditing of Annual Financial Statements;
- (ix) Submission of the annual report;
- (x) Oversight report on the annual report;
- (xi) Issues raised by the Auditor – General in audit reports;
- (xii) Audit Committee;
- (xiii) Disciplinary action instituted in terms of the MFMA

#### **The MPAC interrogate the following aspects addressed in the Municipal Systems Act:**

- (xiv) Review of the IDP post elections;
- (xv) Annual review of the IDP;
- (xvi) Performance Management Plan;
- (xvii) Monitoring that the annual budget is informed by the IDP;
- (xviii) Monitoring that all declaration of interest forms is completed by councilors on an annual basis.

The MPAC committee constitutes of the following members:

PARTY	SURNAME	FULL NAMES	TITLE	GENDER
ANC	Makunyane	Justice	Chairperson	MALE
ANC	Phala	Lucas	Member	MALE
ANC	Mahlangu	Julia	Member	FEMALE
ANC	Makeke	George	Member	MALE
ANC	Motlafe	Girly	Member	FEMALE
EFF	Lecheko	Morotse	Member	FEMALE
ANC	Salminah	Mehlape	Member	FEMALE

#### Mechanisms for public participation process

Immediately after the annual report was tabled in Council, the Accounting Officer in accordance with Section 21A of the Local Government: Municipal Systems Act 32 of 2000 made the draft annual report public. The following are mechanisms which were followed to ensure that the public viewing of the draft 2019/2020 annual report was extensively published for public comments.

DATE	ACTIVITY
29 April 2021	The draft 2019/2020 Annual Report is uploaded on municipal website and made available in municipal offices, municipal library and Municipal Satellite Offices.

Below is the programme for Public hearings:

#### OVERSIGHT VISIT PROGRAM

DATE	TIME	CLUSTER	VENUE
09/06/2021	10h00	Ward 15	Maraganeng Sports Ground
10/06/2021	10h00	Ward 03	Moshate Kgaphamadi

Below are the processes undertaken by the MPAC in dealing with the report:

<u>DATE</u>	<u>PURPOSE</u>	<u>VENUE</u>
16-19 May 2021	Strategic Session to draft questionnaire to Management of their findings	Loskop Dam
09 June 2021	MPAC Outreach at Ward 15 on the Draft 2019/2020 Annual Report	Maraganeng sports ground
10 June 2021	MPAC Outreach at ward 03 on the Draft 2019/2020 Annual Report	Moshate Kgaphamadi
16 July 2021	Compiling Oversight report on the Draft 2019/2020 Annual Report	Committee Room

### **Summary of comments on the draft 2019/2020 Annual Report**

The MPAC believes that the draft 2019/2020 annual report is an honest reflection of the municipal performance of the financial year started on 01 July 2019 and ended 30 June 2020. The report has made an underscoring of poor performance in all aspects with as a result of Covid19 pandemic which bedeviled the country since March 2020. The municipality acknowledges that the pandemic has impacted negatively on revenue and some of its main targets were not achieved. Significantly, MPAC also appreciate the fact that the municipality came with mechanisms within its reach as to advance other programs to avoid a total shut down. We note with appreciation that there are no new irregular expenditure registered during the year under review, as the irregular expenditure in the AG's findings are recurring from the previous financial year(s). What is left is for the Municipality to tighten its bolts on Unauthorized and Fruitless & Wasteful Expenditure(s). The annual report complies with the requirements of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) and with National Treasury (NT) guidelines for annual reports.

**The draft annual report complies with Circular 63 of the MFMA as it contains the following:**

<b>CHAPTERS</b>	<b>DETAILS</b>
01	Mayor's Foreword and Executive Summary
02	Governance
03	Service Delivery
04	Organizational Development Performance

05	Financial Performance
06	Audit General's Findings
07	Appendices and Volume : AFS

#### 4. CHALLENGES

The limitations which comes with COVID19 Regulations came as a hurdle for MPAC to jump. With prohibition of gatherings and the limited numbers when allowed, the quality of inputs from community members were not as expected. MPAC could not manage to stick to time lines of delivering the report to council. We were also not able to make follow up on questions sent to management, however that is addressed in the recommendations.

#### 5. FINDINGS AND PROPOSED SOLUTIONS

The table below shows challenges noted by the Committee during the perusal of the Draft Annual Report and proposed solutions to these challenges;

**DEPARTMENTAL PERFORMANCE FINDINGS**

<b>DEPARTMENT</b>	<b>CHALLENGE/FINDING</b>	<b>PROPOSED SOLUTION</b>
<b>CORPORATE</b>	<ol style="list-style-type: none"> <li>The municipality does not have staff skills retention policy</li> <li>Organogram not aligned to the IDP</li> </ol>	<ol style="list-style-type: none"> <li>The municipality must develop skill retention policy, more specially where the municipality use its own resources to capacitate employees.</li> <li>The municipality must believe in the capacity of the employees whom we spend lot of resources to train.</li> <li>The municipality must look into filling the post that address the needs of the IDP</li> </ol>
<b>DEVELOPMENT PLANNING</b>	<ol style="list-style-type: none"> <li>MPAC did not receive any response from the Development and planning department.</li> </ol>	<ol style="list-style-type: none"> <li>Section 79 committee of development and planning department should make follow up on the matter and report to council.</li> </ol>
<b>EXECUTIVE SUPPORT</b>	<ol style="list-style-type: none"> <li>Inefficiency of the Mayoral Bursary Policy</li> <li>Poor planning on Youth Program</li> </ol>	<ol style="list-style-type: none"> <li>The bursary policy needs to be reviewed; it needs to state how the municipality is going to benefit from allocating the bursary.</li> <li>The municipality needs to compile a report of the bursary allocations. The report should include proof of payments and progress made by the learner after receiving the bursary.</li> <li>Youth Development strategy should be developed</li> </ol>



<b>BUDGET &amp; TREASURY</b>	<p>1. Regress on revenue collection</p> <p>2. High percentage on contracted services</p> <p>3. Lack of debt management</p> <p>4. Lack of monitoring and update of the indigent register.</p>	<p>1.1 The municipality must look on developing a method where one cannot access any service from the municipality when still owing other services billed.</p> <p>1.2 Where people are not able to pay, the municipality must invoke on its own policies i.e. credit control and indigent policy.</p> <p>2.1 MPAC notes and commends management for coming up with drastic measures to contain costs. We hope this will yield positive results</p> <p>3.1 The municipality must pay all the debts within 30 days to avoid unnecessary interest which will result to Fruitless and Wasteful expenditure.</p> <p>4.1 The indigent register should be monitored and updated frequently as the situation of our community members is constantly changing.</p> <p>4.2 The indigent policy should be reviewed annually.</p>
<b>INFRASTRUCTURE</b>	<p>1. Incomplete projects</p> <p>2. Unrealistic project timelines with regards to road construction.</p>	<p>1. The municipality must develop a monitoring mechanism on the projects that are being implemented. Notably, Kgaphamadi Bus road remains the Achilles heel even during the current Financial Year.</p> <p>2. The section 79 committee of infrastructure should develop a project oversight model.</p>
<b>SOCIAL DEVELOPMENT</b>	<p>1. Lack of improvement in the Waste management in the municipality.</p>	<p>1.1 The municipality has drastically regressed from 16% in 2016/17 Financial Year to a mere 9% in the year under review on refuse removal collection. This is worrisome considering the fact that more than 90% of households are still excluded from the service. The municipality must have a campaign to register the willing payers who want to have access to the service of solid waste in other areas.</p> <p>1.2. Sec 79 committee for community services department should make follow up on the finding and compile a reports which will be submitted to council.</p>

**SUMMARISED NOTES FOR SECTION 79 COMMITTEES**

1. The bursary policy needs to be reviewed; it needs to state how the municipality is going to benefit from allocating the bursary.
2. The municipality needs to compile a report of the bursary allocations. The report should include proof of payments and progress made by the learner after receiving the bursary.
3. MPAC notes that the Youth programmes for the financial year under review where not achieved, this could be a result of poor planning.
4. Youth strategy should be developed
5. MPAC recommends that Sec 79 committees must sit and peruse their departmental finding raised by MPAC committee
6. The municipality doesn't have measures in place to monitor and update the indigent register. The indigent register is not reviewed.
7. The municipality is not improving on Waste management service which is a core function of the municipality. The decline trend has been going on for the past 5 years
8. MPAC notes that the municipality road construction projects are not in adherence to the project timelines. E.g Kgaphamadi Bus Route.
9. The section 79 committee of infrastructure should develop a project oversight model
10. MPAC did not receive any response from the Development and planning department. Section 79 committee of development and planning department should make follow up on the matter and report to council.
11. The disclosure of interest does not address the conflicts of interest issue. MPAC will make follow up on the matter

#### **NOTABLE FINDINGS AND RECOMMENDATIONS**

1. The fact that councillors are unable to claim S&T's impacts negatively on the functioning of council. The Speaker should look into the matter.
2. The municipality communication strategy should be reviewed to be proactive as opposed to being reactive.
3. The section 79 committees (per department) allocated tasks should submit the reports before the end of August 2021 to satisfy Council oversight function.

## 5. FINANCIAL STATEMENTS


The AG's findings on Unauthorised, Irregular and Fruitless & Wasteful expenditure will be investigated and a report will be submitted to council.

## 6. CONCLUSION

The MPAC committee is grateful to all stakeholders and participants for their support and cooperation during the oversight process. The committee believes that Elias Motsoaledi Local Municipality has a potential to overcome its challenges by choosing the correct path. Having survived and continue to survive in this dark cloud of the devastating pandemic and the fatigue that comes with it; we have to all put our hopes with the saying: *"what doesn't kill you, makes you stronger"*. We are saying this because many municipality are struggling make the ends meet due to this difficult conditions. We must continue to live with hope that things will get better, hence as MPAC we say *"Isolate now, so that when we are called again we will have no one missing amongst us"*. The draft annual report is aligned to MFMA Circular 63, thus it was easy for MPAC to play oversight. We wish that this standard could be maintained for the credibility of the report.

## 7. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE: 16 JULY 2021 RESOLVE TO RECOMMEND:

1. That Council approves the draft 2019/2020 Annual Report with no reservations
2. That the oversight report be made public in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act 56 of 2003.
3. That the oversight report be submitted to the Provincial Legislature in accordance with section 132 (2) of the Local Government: Municipal Finance Management Act 56 of 2003.

  
**CLLR. H.J. MAKUNYANE**  
**MPAC CHAIRPERSON**