

ELIAS MOTSOLEDI LOCAL MUNICIPALITY



Address: P.O. Box 48
Groblersdal, 0470

Phone: (013) 262 3056/7/8/9
Fax: (013) 262 2893

E-mail: rmaredi@emlm.gov.za

EXECUTIVE SUPPORT

MPAC17/18-04

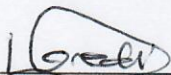
CERTIFIED EXTRACT OF A RESOLUTION BY THE MUNICIPAL COUNCIL IN AN ORDINARY COUNCIL MEETING HELD 29 MARCH 2018 IN THE COUNCIL CHAMBER, MUNICIPAL OFFICES GROBLERSDAL.

MPAC17/18-04

OVERSIGHT REPORT ON DRAFT ANNUAL REPORT FOR 2016/2017

RESOLVED:-

1. That Council approves the draft 2016/2017 Annual Report without 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.

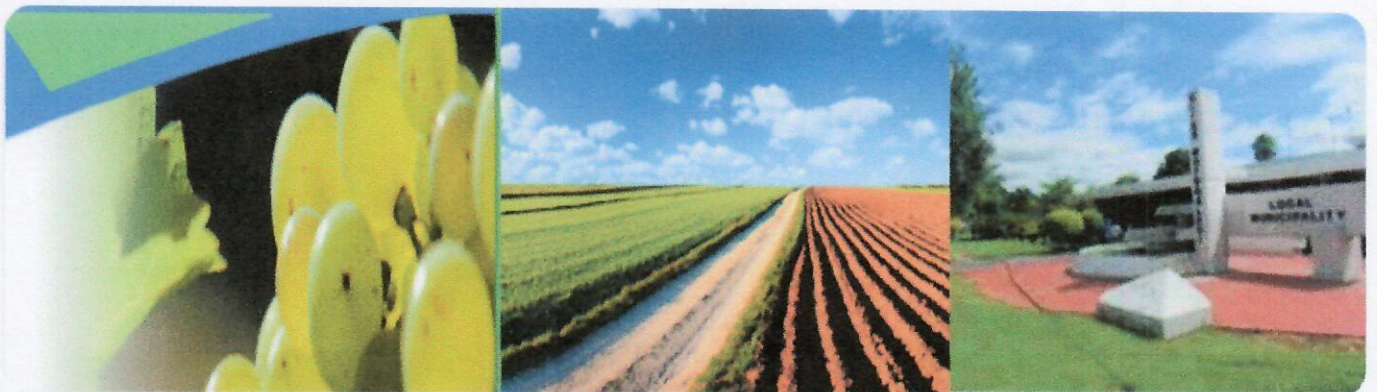

R.M MAREDI
MUNICIPAL MANAGER



ELIAS MOTSOLEDI LOCAL MUNICIPALITY



OVERSIGHT REPORT FOR THE 2016 /2017 ANNUAL REPORT



"Thé 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 2016/2017 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 30 January 2018, the Mayor tabled the Draft 2016/2017 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 2016/2017 financial year.*
2. *That considers the draft Annual Report for the 2016/ 2017 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 are 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	Motlape	Girly	Member	FEMALE
BPSA	Mohlala	Moses	Member	MALE
EFF	Mthombeni	Vensile Lea	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 2016/2017 annual report was extensively published for public comments.

DATE	ACTIVITY
31 January 2017	The draft 2016/2017 Annual Report is uploaded on municipal website and made available in municipal offices, municipal library and Municipal Satellite Offices.

Messages inviting Ward Committees, CDW's, Traditional Leaders, Traditional Healers and Business people were sent through Ward Secretaries to attend Public hearings. Below are the programme for Public hearings.

OVERSIGHT VISIT PROGRAM

<u>DATE</u>	<u>TIME</u>	<u>CLUSTER</u>	<u>VENUE</u>
01/03/18	10h00	Cluster 1 From Ward 1 To 14	New Stand Sports City Ground Kgobokwane
02/03/18	10h00	Cluster 2 From Ward 15 To 31	Bafaladi Sports Ground Ramogwerane

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

<u>Date</u>	<u>Purpose</u>	<u>Venue</u>
8-9 February 2018	MPAC meeting with AG to interrogate and evaluate the Annual Report	Zebula Golf Estate
19 February 2018	MPAC to draft questionnaire to Management of their findings	MM's Boardroom
15 March 2018	Meeting with management to answer questions based on MPAC comment	MM's Boardroom
23-24 March 2018	MPAC Meeting with Municipal Manager/CFO	Thaba Moshate
26 March 2018	MPAC Meeting with EXCO	MM'S Boardroom
27 March 2018	Compilation of oversight report by	In-house
29 March 2018	Submission of Oversight report to Council by MPAC	Council Chambers

Summary of comments on the draft 2016/2017 Annual Report

The MPAC believes that the draft 2016/2017 annual report reflects a substantial and positive improvement in municipal annual planning, budgeting and reporting processes. It is a significant improvement over the previous years' annual report. 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.

MPAC notes that the draft annual report complies with Circular 63 of the MFMA as it contains the following:

Chapters	Details
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 AND PROPOSED SOLUTIONS

The table below shows challenges noted by the Committee during the public hearings and proposed solutions to these challenges;

FINDINGS NOTED BY MPAC

MPAC has noted that copies of the Performance Report does not reach the entire communities as envisaged. Community members are challenge by the language in which the reports are written (English only)	1) Ward Councillors, through the assistance of ward committees, to convene community meeting where the objectives and purpose of the annual report are extensively discussed, in preparation for the MPAC's public participation 2) It is therefore recommended that a summary of the original document be translated to local languages
Lack of separation of power in Executive Support	a) Council should adhere to the separation of powers b) To separate administrative support given to the Mayor and the Speakers office by introducing two deputy Directors: One supporting the Mayor's office and the second one supporting the Speakers office.
Higher dependency on National grants	a)The municipality to develop and implement the revenue enhancement strategy and to call revenue enhancement Imbizo
Section 79 not fully utilised	a) To request council to rescind council resolution that allow section 79 to meet quarterly to meet monthly
Lack of sufficient funds for MPAC	a)MPAC to be budgeted enough to enable them to do campaign and investigation

The Committee records its concerns on the matters of emphasis expressed in the Audit Report. These matters include:

Overall performance:

- KPI's which do not adhere to S.M.A.R.T principle
- Lack of monitoring on project implementation
- Understaffed departments which impact negatively on its performance
- Lack of consequence management on poor performance

5. FINANCIAL STATEMENTS

- That the municipality is still relying on outsource services for AFS despite the recommendation made in the MPAC 2015/2016 oversight report.
- On registration on property, plant and equipment in accordance with GRAP 17 property, plant and equipment as per AG's finding. We have noted much improvement which is recommendable

Unauthorised expenditure:

Our latest analysis of unauthorised expenditure remains the worrying factor and has increased tremendously in the year under review. Report will be presented to Council once the investigation has been completed.

Fruitless and Wasteful Expenditure

MPAC has noted the Fruitless and wasteful expenditure and the report will be presented to Council once the investigation has been completed in terms of Section 32 of the MFMA.

Irregular expenditure:

We have noted a decrease in irregular expenditure, however this is still a worrying factor. A report will be presented to council once the investigation on irregular expenditure is concluded.

Financial losses:

The MPAC committee has noted a higher financial lose as a result of non-payment of electricity usage in Roossenekal as a result of illegal connections.

The MPAC Committee has noted too much consultants on municipal services. The institution is advised to reduce higher dependency on consultants and starting performing those services in-house.

6. CONCLUSION

The MPAC committee thank all the relevant participants for their support and cooperation during the oversight process. The committee believes that Elias Motsoaledi Municipality and its citizens will realize substantial and tangible benefits if a similar process is consistently followed in years to come. We like to thank the entire Management team for various roles that they have played during the compilation of these oversight report.

7. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE: 29 MARCH 2018 **RESOLVE TO RECOMMEND:**

1. That Council approves the draft 2016/2017 Annual Report without 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.
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COUNCIL : 29 MARCH 2018 **RESOLVE TO RECOMMEND**

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CLLR. H.J. MAKUNYANE
MPAC CHAIRPERSON

29 March 2018