

ELIAS MOTSOALEDI LOCAL MUNICIPALITY



OVERSIGHT REPORT FOR THE 2018 /2019 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 22 January 2019, the Mayor tabled the Draft 2018/2019 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 2018/2019 financial year.***
2. ***That considers the draft Annual Report for the 2018/2019 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	Motlape	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 2018/2019 annual report was extensively published for public comments.

DATE	ACTIVITY
22 January 2020	The draft 2018/2019 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
05/03/2020	10h00	Ward 8	Marapong Paypoint
06/03/2020	10h00	Ward 21	Jerusalem Sportsground

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

<u>DATE</u>	<u>PURPOSE</u>	<u>VENUE</u>
1-4 February 2020	Strategic Session to draft questionnaire to Management of their findings	Loskop Dam
05 March 2019	MPAC Outreach at Ward 8 on the Draft 2017/2018 Annual Report	Marapong Paypoint
06 March 2020	MPAC Outreach at ward 19 on the Draft 2017/2018 Annual Report	Jerusalem Sports Ground
20 March 2020	Meeting with Management on MPAC Questionnaire	Committee Room
24 April 2020	Compiling Oversight report on the Draft 2019/2020 Annual Report	Committee Room

Summary of comments on the draft 2018/2019 Annual Report

The MPAC believes that the draft 2018/2019 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. Despite the regression from unqualified to qualified audit opinion, the municipality stands in a good position to bounce back to unqualified audit opinion. Of significance is that there are no new findings on Irregular and no findings on key performance areas. With our collective efforts, the next audit opinions can reflect good performance on quality service provision and better audit opinion.

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

<u>CHAPTERS</u>	<u>DETAILS</u>
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

This report is a product of a painful process which MPAC had to take on chest as a result of the State of National Disaster declared from the 27th of March 2020. This challenged us to improvise and employ means of technology to conduct our engagements both with management and amongst ourselves as a committee. This led to the late submission of this report to council, which was scheduled for end of March.

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;

FINDINGS NOTED BY MPAC

<p>MPAC has noted that copies of the Performance Report do not reach the entire communities as envisaged. Community members are challenge by the language in which the reports are written (English only)</p>	<p>1. Ward Councillors, through the assistance of ward committees together Ward Liaison Officer must convene community meetings where the objectives and purpose of the annual report are extensively discussed, in preparation for the MPAC's public participation</p> <p>2. It is therefore recommended that a summary of the original document be translated to local languages MPAC recommend that the municipality must create space on the website and social media for people to comment on the Draft Annual report.</p>
<p>Higher dependency on National grants</p>	<p>1. The municipality to develop and implement the revenue enhancement strategy. We reiterate our call for revenue enhancement Imbizo and for EXCO to engage with rate payers to understand why there is a challenge in revenue collection.</p>
<p>Lack of oversight on in-year reporting</p>	<p>1. That all oversight committees in the municipality must play their oversight role. Sec 79 committees must sit and peruse their departmental quarterly reports.</p>

DEPARTMENTAL PERFORMANCE FINDINGS

DEPARTMENT	CHALLENGE/FINDING	PROPOSED SOLUTION
CORPORATE	<ol style="list-style-type: none"> The municipality does not have staff skills retention policy 	<ol style="list-style-type: none"> The municipality must develop skill retention policy, more specially where the municipality use its own resources to capacitate employees.
DEVELOPMENT PLANNING	<ol style="list-style-type: none"> Organogram not aligned to the IDP The planning of the municipality does not address the reality on the ground Municipality taking services to the land without the consent of the land owners 	<ol style="list-style-type: none"> The municipality must look into filling the post that address the needs of the IDP MPAC reiterates the call which we made on the previous Oversight Report that the department must develop LED strategy aligned with the spatial planning of the municipality. The matter has long been pertinent and its recurring with excuses on annually. That the end user department must advice all departments about land ownership and facilitate for the consent of landowners before they roll out projects.
EXECUTIVE SUPPORT	<ol style="list-style-type: none"> Lack of Human resource Lack of separation of power in Executive Support 	<ol style="list-style-type: none"> Municipality must fill posts which are critical in this department. The department is understaffed and some committees cannot function properly as they share administrative support. MPAC notes that the organogram addressed the issue, however these posts are not yet filled

<p>BUDGET & TREASURY</p>	<p>1. Regress on revenue collection</p> <p>2. High percentage on contracted services</p> <p>3. Conflict of Interest</p> <p>4. Lack of debt management</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 the 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 MPAC notes the fact that there is no new case of conflict of interest. Management must work to maintain the status quo</p> <p>4.1 The municipality must pay all the debts within 30 days to avoid unnecessary interest which will result to Fruitless and Wasteful expenditure.</p>
<p>INFRASTRUCTURE</p>	<p>1. Incomplete projects</p> <p>2. Lack of maintenance on roads</p> <p>3. Electricity loss in Rossenekal</p>	<p>1.1. The municipality must develop a monitoring mechanism on the projects that are being implemented. Notably Kgaphamadi Bus route and Laersdrift Access Road could have been completed in time had reasonable measures implemented.</p> <p>1.2. The PSC members who are appointed must be capacitated by the municipality to know their role so that they are able to see when the contractor is not doing quality work.</p> <p>1.3. Section 79 committee of infrastructure must do project visits to play oversight on the projects during implementation.</p> <p>2.1. The municipality must allocate sufficient budget to maintain the completed roads. Although the negative variance on revenue contributes to this, we believe that a little should be done as opposed t nothing.</p> <p>3.1 Management has assured MPAC that there is a process in place to address this, we recommend that progress be submitted to council on quarterly basis.</p>

<p>SOCIAL DEVELOPMENT</p>	<p>1. Regress on % of house hold enjoying refuse removal service</p>	<p>1.1 The municipality has regressed from 16% to 14% of refuse removal collection. This is worrisome considering the fact that more than 80% 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>2. The licensing unit within the department is not accessible during weekends</p>	<p>2.1 The municipality must take a resolution that the unit be open during weekends. 2.2 The municipality should a look at having a person assisting the motor dealers as they register vehicles in bulk.</p>

5. FINANCIAL STATEMENTS

- MPAC notes the regression registered by the municipality on AG's audit opinion. The municipality has moved from unqualified to qualified audit opinion.
- Whereas there is an undertaking from the management to turn this around, MPAC will continue to follow this matter up to check to the adequacy and efficiency of the Audit Action Plan.
- We commend management on the fact that there is no finding on performance, meaning that the municipality has performed well in terms of their annual targets.
- 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 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. The draft annual report was easy for MPAC to play oversight as it is aligned to MFMA Circular 63, unlike in the past. We wish that this standard could be maintained for the credibility of the report.

7. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE: 24 APRIL 2020 RESOLVE TO RECOMMEND:

1. That Council approves the draft 2018/2019 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