

ELIAS MOTSOLEDI LOCAL MUNICIPALITY



OVERSIGHT REPORT FOR THE 2017 /2018 ANNUAL REPORT



"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 2017/2018 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 2017/2018 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 2017/2018 financial year.*
2. *That considers the draft Annual Report for the 2017/2018 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 |
| BPSA | Mohlala | Moses | Member | MALE |
| 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 2017/2018 annual report was extensively published for public comments.

| DATE | ACTIVITY |
|-----------------|--|
| 31 January 2019 | The draft 2017/2018 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 |
|-------------|-------------|---------------------|---------------------------|
| 27/02/2019 | 10h00 | Ward 9 | Jabulani D3 Sports ground |
| 07/03/2019 | 10h00 | Ward 19 | Dindela Sports ground |
| 25/03/2019 | 18h00 | Ward 13 rate payers | EMLM Main building |

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

| DATE | PURPOSE | VENUE |
|-------------------|--|------------------------|
| 6-8 February 2019 | Strategic Session to draft questionnaire to Management of their findings | Klein Kariba |
| 27 February 2019 | MPAC Outreach at Ward 9 on the Draft 2017/2018 Annual Report | Jabulani Sports Ground |
| 7 March 2019 | MPAC Outreach at ward 19 on the Draft 2017/2018 Annual Report | Dindela Sports Ground |
| 20 March 2019 | Meeting with Management on MPAC Questionnaire | Committee Room |
| 25 March 2019 | MPAC Outreach at ward 13 on the Draft 2017/2018 Annual Report | EMLM Main building |
| 26 March 2019 | Compiling Oversight report on the Draft 2017/2018 Annual Report | Committee Room |

The oversight visit program could not unfold as planned due to disruptions by community members and poor attendance. At ward 19 the attendance was good, however community members were not interested in engaging the draft annual report but only speak about service delivery. This challenges us to come up with ways to improve our public participation and target stakeholders that are interested in engaging the draft annual report. We however note that our oversight program collided with many service delivery protests that were taking place in various wards. MPAC recommends that "service delivery satisfaction survey" be conducted to look at whether our people are happy with the service they receive from the municipality. We further recommend that Ward Profile be updated for Ward Councillors to know stakeholders around their own wards and Ward Liaison Officer be appointed to help in this regard.

Summary of comments on the draft 2017/2018 Annual Report

The MPAC believes that the draft 2017/2018 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 congratulate EMLM for having improved on their audit opinion and we hope that the municipality will be able to sustain the unqualified audit opinion and translate it to the improvement of service delivery.

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

| | |
|--|---|
| <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 | <p>1. The municipality does not have staff skills retention policy</p> | <p>1.1 The municipality must develop skill retention policy, more specially where the municipality use its own resources to capacitate employees.</p> <p>1.2. The municipality must believe in the capacity of the employees whom we spend lot of resources to train.</p> |
| DEVELOPMENT PLANNING | <p>2. Organogram not aligned to the IDP</p> <p>1. The planning of the municipality does not address the reality on the ground</p> | <p>2.1 The municipality must look into filling the post that address the needs of the IDP</p> <p>1.1. Must develop LED strategy which is going to be aligned with the spatial planning of the municipality. Cognisant to the fact that Groblersdal is one of the Provincial Growth Point, we further recommend that the municipality must clearly identify the municipal growth points for investment so that we complement the Provincial Growth Point.</p> |
| EXECUTIVE SUPPORT | <p>2. Municipality taking services to the land without the consent of the land owners</p> <p>1. Lack of Human resource</p> | <p>2.1. That the end user department must advise all departments about land ownership and facilitate for the consent of landowners before they roll out projects.</p> <p>1.1. 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.</p> |
| | <p>2. Lack of separation of power in Executive Support</p> | <p>1.2. Executive Support must restructure and fill critical positions to make all committees efficient.</p> <p>2.1. Council should adhere to the separation of powers</p> <p>2.2. MPAC reiterate the call that to separate administrative support given to the Mayor and the Speakers office by introducing two managers in both office of the Mayor and the Speaker.</p> |

| | | |
|-------------------------------------|---|--|
| <p>BUDGET & TREASURY</p> | <p>1. Regress on revenue collection</p> <p>2. High percentage on contracted services</p> <p>3. No mechanism to detect 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 we must invoke on the indigent policy.</p> <p>2.1 Cost-benefit analysis be conducted for all contracted services and a report be submitted to council before the end of 2018/2019 financial year</p> <p>3.1 Use cross check effectively and monitor the disclosure forms.</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. Lack of monitoring on implementation of projects</p> <p>2. Lack of maintenance on roads</p> <p>3. No plan for the municipality to have electricity provision license on new areas</p> | <p>1.1. The municipality must develop a monitoring mechanism on the projects that are being 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.</p> <p>3.1 The municipality must apply for electricity licence on all new areas where we invest our capital to electrify.</p> |

SOCIAL DEVELOPMENT

1. MPAC is not convinced that there is cost benefit on refuse removal
2. No plans to broaden waste management to other areas
3. The licensing unit within the department is not accessible during weekends

- 1.1. Cost benefit analysis must be conducted to look at how much the municipality is spending vice versa the revenue we are collecting on refuse removal services. The report must be table before the end of 2018/2019 FY.
- 2.1. 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.
- 3.1 The municipality must take a resolution that the unit be open during weekends.
- 3.2 The municipality should a look at having a person assisting the motor dealers as they register vehicles in bulk.

5. FINANCIAL STATEMENTS

- MPAC appreciates the improvement on AG's report from qualified to unqualified audit opinion.
- However, lot of work still need to be done to address all matters raised in the AG's report and management letter.

ON THE FOLLOWING:

- **Unauthorised expenditure:**
MPAC busy investigation and report will be tabled in council before the end of the financial year
- **Fruitless and Wasteful Expenditure**
MPAC busy investigation and report will be tabled in council before the end of the financial year
- **Irregular expenditure:**
MPAC busy investigation and report will be tabled in council before the end of the financial year
- **Financial Position**
MPAC busy with the remedies after diagnosis and report will be tabled in council before the end of the financial year

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 have already seen improvement in terms of the audit outcome and believe that we can improve further to translate this audit outcome to service delivery. 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: 26 MARCH 2019 RESOLVE TO RECOMMEND:

1. That Council approves the draft 2017/2018 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