

# OVERSIGHT REPORT

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE



FINANCIAL YEAR  
2020/2021

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# 1. CHAIRPERSON'S FOREWORD

**"The future is bright. The end is glorious. It is peaceful. But the intervening period is dark, bitter and finds its glory in the act of struggle".**

In terms of MFMA Act no 56 of 2003 – Circular no 32 and 11, MPAC is required to also oversee the annual report of the municipalities. As well as mandated by Ordinary Council Meeting of 26th January 2022, to review and scrutinize the 2020/2021 draft annual report. As an oversight committee we have fulfilled the obligation. The Annual Report is one of the key instruments of transparent governance and accountability. It is a post financial year document which provides an overview of the process of financial and non-financial performance in respect of the previous financial year. The adoption of an Annual Report is a legislative requirement in terms of the Local Government: Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2003). The Municipal Public Accounts Committee records its concern at the repetition of the same matters of emphasis being raised repeatedly by the Auditor-General in Audit Reports over successive financial years, and also its concern at the failure by the Municipality to rectify such matters, inter alia, by implementing existing measures and action plans.

I want to acknowledge the extraordinary efforts made by MPAC Supporting Staff during this period. My fellow councillors for your support during these difficult times. It is important that we put our differences aside and put the interest of our people first.

## **2. 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.

### **3. Discussion**

The MPAC engaged the communities on the Annual Report for the financial year 2020/2021 whereby attendance was not satisfactory in some units. Clocolan we had to reconvene the meeting twice without success despite all normal means which were made for them to attend. The meetings with the community were held on different dates and venue in entire Setsoto, the members of the MPAC did not always honour the scheduled meetings of the committee.

#### **4. 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 the Accounting Officer and the Directors would then be required to respond to the MPAC in respect of questions that the Committee may have regarding the Annual Report;
- 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 matters are 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.

## 5. Composition of the Municipal Public Accounts Committee

The Committee of Council established under section 79 (A) of the Municipal Structures Act, 117 of 1998. Section 79(A) 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: -

Name	Gender	Political Party	Position	Attendance of the Meeting				
				11 April 2022	12 April 2022	13 April 2022	19 April 2022	05 May 2022
Cllr Koqo P	Female	African National Congress	Chairperson	Yes	Yes	Yes	Yes	Yes
Cllr Thamae L	Male	African National Congress	Member	Yes	Yes	Yes	Yes	Absent with Apology
Cllr Khatlake N P	Male	African National Congress	Member	Yes	Yes	Yes	Yes	Yes
Cllr Mokhele M	Male	Democratic Alliance	Member	Yes	Yes	Yes	Absent with Apology	Yes
Cllr Vermeulen P	Male	Setsofo Service Delivery Forum	Member	Yes	Yes	Yes	Yes	Yes
Cllr Mohanoe L	Female	Setsofo Service Delivery Forum	Member	Yes	Absent with Apology	Not Attended	Yes	Absent with Apology

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

Potloane T W                      PMS Clerk  
Mokatile K J                      MPAC Supporting Staff (EPWP)

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.

## 6.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 2020/2021 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 2021. The Annual Report was presented to Council on 26 January 2022 for further engagement.



## **7. 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.

Issues raised by the members of the community are contained in the meeting of 12,13,19 April 2022 and 05 May 2022, including Public Notice. See attached Annexure A to F.

## **8. Summary of Reservation and Corrective Actions to be undertaken by Mayoral Committee and Administration**

The Committee recommend to Council the following: -

1. Council, having fully considered the Annual Report 2020/2021 of Setsoto Local Municipality, adopts the Oversight Report 2020/2021, a copy of which is attached to the signed minutes of this meeting;
2. Council approves the Annual Report 2020/2021 of Setsoto Local Municipality without reservations;
3. The Oversight Report 2020/2021 made public in accordance with section 129(3) of the Municipal Finance Management Act, 56 of 2003;
4. The Oversight Report 2020/2021 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. Recommendation of the corrective measures on the findings by Auditor General be implemented;
7. The accounting officer must within 10 days of the end of each quarter submit a report on the implementation of SCM Policy to Council; ( In terms of Section 21 of the Municipal System Act, the report must be made public)
8. 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;
9. Council to provide the necessary resources to capacitate the Local Economic Division to carry out its duties effectively;
10. Council to review the Local Economic Development Policies to ensure that they empower the local entrepreneurs;
11. The municipal Procurement Policy to be aligned with the Local Economic Development Policy to address the concern of empowering local communities;
12. The organisational structure to be reviewed;
13. Human Resource Policy must be reviewed and be aligned with the Collective Agreement;

14. All councillors must always encourage community to pay services and all townships pay points must be fully operational to allow people to pay for their services;
15. The Office of the Speaker must ensure that the Municipal Public Accounts Committee be fully capacitated in terms of personnel, finance and other resources to effectively execute its mandate;
16. For the MPAC to effectively execute its functions, it shall receive the services of necessary support staff. Staff assigned to this support role shall be capable of co-ordinating and undertaking research activities as required by the committee work programme and rendering an effective secretarial and committee management service. The MPAC shall also be assigned a budget commensurate with its functions and obligations as may be appropriate within the affordability levels of council and in so doing not to duplicate any functions performed by other municipal functions (MPAC Research, MPAC Co-ordinator and Clerk;
17. The MPAC should not impinge upon the financial management responsibilities of the Finance Committee. The MPAC must however be kept abreast of all developments for information purpose and to make sure that there is proper follow-up on issues of oversight and accountability;
18. Council to ensure that e-Performance Management System be implemented to ensure a reliable service delivery monitoring tool. Accounting Officer provide the report regarding the system;
19. Reduction strategy for unauthorised, irregular, fruitless and wasteful municipalities, and municipal entities; (UIF&W Expenditure Reduction Strategy)
20. The accounting officer must ensure that any disciplinary actions that are required as a consequence of the incurrence of UIF&W expenditure are instituted within the time limits as contemplated in the Labour Relations Act and other relevant legal framework;
21. There should be consequence management for transgressions, a lack of action, and poor performance-MFMA section 32, Financial Misconduct Regulations, Local Government Disciplinary Regulations for Senior Managers;
22. Establishment of Disciplinary Board to investigate and make appropriate recommendations on disciplinary proceedings against officials who commits acts of financial misconduct; this committee must be established within a month
23. MPAC is of the view that lack of consequence management to employees who neglect their official

responsibilities seems to be one of the contributing factors to the recurrence of the AG's findings. An action plan to address AG's findings is developed every year but recurrence of findings could only mean that the corrective actions are not effective, or implementation is not happening and

24. The committee recommended the Accounting Officer to report back to the committee on the implementation of this report after the adoption by Council.



Cllr Koqo P  
Chairperson of the MPAC

Date: 30 / 05 / 2022