

# OVERSIGHT REPORT

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE



FINANCIAL YEAR  
2021/2022

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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".**

Dumelang! Good morning! Molweni! Goei more.

Honourable Speaker and the guest house at large, on behalf of the committee allow me to convey words of gratitude to the Municipal Public Accounts Committee (MPAC) and staff.

Mr Speaker let me convey words of appreciation to the council for entrusting the MPAC members with huge task of playing oversight role in its behalf of on the annual report for 2021/2022 financial year even though there were challenges faced by the committee.

Honourable Speaker, I am much delighted for the good music to our ears that our municipality has improved from Qualified Audit Opinion to Unqualified Audit Opinion for the financial year 2021/2022.

**No future is a future without the past and the present. One cannot make corrections unless errors have occurred.**

The Council of Setsoto Local Municipality is legally assigned with the responsibility to perform an oversight over the executive and administration of the municipality. The oversight role remains the function of the Council which is supported by legislative prescripts including but not limited to the Constitution of Republic of South Africa. Local Government: Municipal Finance Management Act of no 56 of 2003 and Municipal Systems Act No 32 of 2000 as amended.

In terms of Municipal Finance Act, No 56 of 2003- Circular No 11, 32 and 63, the Municipal Public Accounts Committee (MPAC) is required to also oversee the Annual Report of the municipalities. As well mandated by Ordinary Council Meeting of the 31<sup>ST</sup> of January 2023, to review and scrutinize the 2021/2022 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 and non-financial performance in respect of the previous financial year. The adoption of an Annual Report is legislative requirement in terms of Local Government: Municipal Finance Management Act (MFMA) 2003 (Act 56 Of 2003)

## **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 been 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 vests 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 2021/2022 whereby attendance was not satisfactory in some units. Ficksburg, we had to reconvene the meeting. 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					
				12 May 2023	05 June 2023	06 June 2023	07 June 2023	08 June 2023	12 June 2023
Cllr Khattake N P	Male	African National Congress	Chairperson	Yes	Yes	Yes	Yes	Yes	Yes
Cllr Thamae L	Male	African National Congress	Member	Yes	Yes	Absent with apology	Absent without Apology	Absent without Apology	Yes
Cllr Koqo P	Female	African National Congress	Member	Yes	Yes	Absent with apology	Absent with apology	Absent with apology	Absent with Apology
Cllr Mokhele M	Male	Democratic Alliance	Member	Yes	Absent with apology	Absent with apology	Absent with Apology	Absent with Apology	Absent with Apology
Cllr Vermeulen P	Male	Setso Service Delivery Forum	Member	Absent without Apology	Yes	Yes	Yes	Absent with Apology	Yes
Cllr Mohanoe L	Female	Setso Service Delivery Forum	Member	Absent without Apology	Yes	Absent with apology	Yes	Yes	Yes

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

Potloane T W                      Acting IDP Officer

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: -

<b>Body/Person</b>	<b>Responsible for</b>	<b>Oversight over</b>	<b>Accountable to</b>
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 2022. The Annual Report was presented to Council on 26 January 2023 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 05, 06, 07, 08 and 12 June 2023, 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 2021/2022 of Setsoto Local Municipality, adopts the Oversight Report 2021/2022, a copy of which is attached to the signed minutes of this meeting;
2. Council approves the Annual Report 2021/2022 of Setsoto Local Municipality without reservations;
3. The Oversight Report 2021/2022 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) on the permanent basis;
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;

24. Management must develop an Asset Management Policy that will be able to monitor the reporting of damage, theft, insurance claims and similar occurrences;
25. The Accounting Officer, through Council, must ensure that there is comprehensive implementation of the Action Plans in order to avoid re-occurrences of non-compliance on the issues raised by the office of Auditor General in previous reports;
26. That the Audit Committee be hereby delegated to formally present its intervention report to Council on quarterly basis, and to advise Council on potential risks and procedures to avoid such;
27. That it be noted that the reports on the misconduct with regards to financial misappropriation, such as fraud and corruption, should have consequence management and money lost must be recouped from the responsible party. It is therefore imperative that all matters relating to financial misconduct must be referred by the Accounting Officer, forthwith on becoming aware thereof, to the Financial Misconduct Disciplinary Board and any other relevant authorities (internal and external) for investigation and disciplinary recommendations;
28. That due diligence, vetting and rigorous authentication of purported qualifications and any other employment documentation be conducted prior to commencement of duties when recruiting new employees;
29. The Finance Department, more particularly the Supply Chain Division, must circumvent unnecessary deviations, comply with the Municipal Financial Management Act prescriptions in the context of competitive bids advertising, Government Supplier Database Compliance and quality assurance must be done on all appointment service providers and
30. The committee recommended the Accounting Officer to report back to the committee on the implementation of this report after the adoption by Council.

## 9. Previous recommendations of the MPAC on the Annual Report 2020/2021 not implemented.

The following recommendations point 1 number **2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18,19,20,21,22 and 23** were recommendations from the previous Annual Report 2020/2021 and were not implemented, therefore the Committee recommend the Accounting Officer to report back to the committee on the implementation of this Report after the adoption by Council.

## 10. CONCLUSION

As the Chairperson of MPAC I would like to thank MPAC Committee Members, Honourable Speaker, Municipal Manager, Directors and the Office of IDP/PMS (Mr TW Potloane) for the contributors to Annual Report 2021/2022 for their diligence and constructive commitment during the oversight report. The comments on the Annual Report received from community and all stakeholders was extremely positive hence they acknowledge the hard work and commitment to reach this final point in what is in essence the final step of ending the financial year 2021/2022.

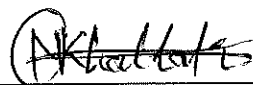
The Annual Report does not display a perfect municipality but does display one with clean governance. Further the Annual Report highlight that there are a lot of room for improvement and the administration is thus encouraged to do so.

We must take pride in what we do and remember we are serving the communities, the annual report should be one of achievements and not one of disappointment.

Although the above to a large extent speak to the ethic of our administration, I would fail if I don't give recognition to my fellow councillors. Your oversight and leadership ensured that we strengthened our controls and accountability mechanisms. You must be thanked and given recognition for your role.

I encourage all my councillors to ensure that not only maintain our standard but strive to the new heights.

As a new MPAC Chairperson thus is good learning experience and I give you my word that our oversight role will improve and strengthen as our term continue.



Cllr N P Khatlake

Chairperson of the MPAC

Date: 20 June 2023