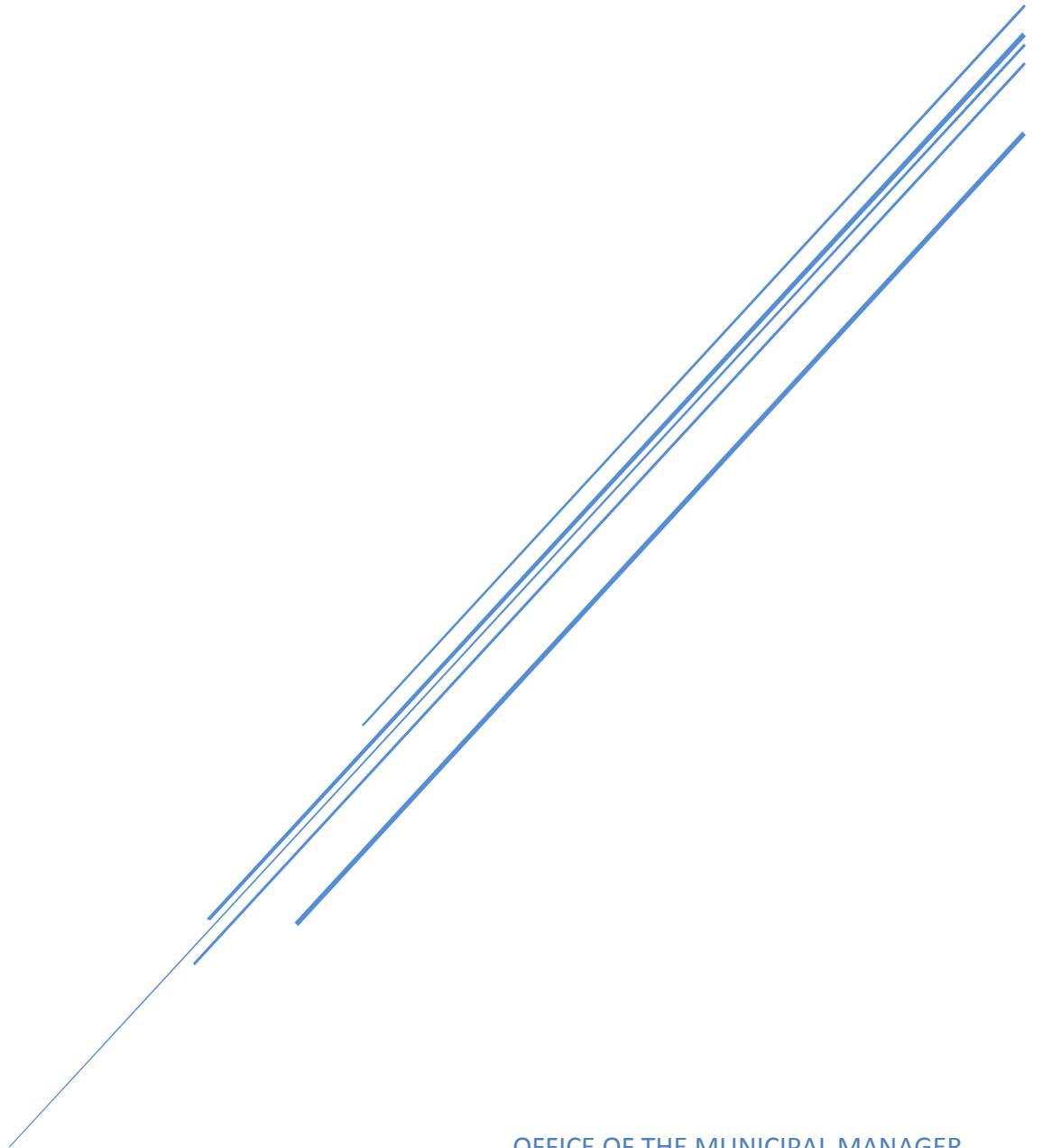


2016 / 2017 OVERSIGHT REPORT

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE



OFFICE OF THE MUNICIPAL MANAGER

TSWELOPELE LOCAL MUNICIPALITY

FOREWORD BY CHAIRPERSON

1. The oversight report is compiled in terms of Section 129(1) of the Municipal Finance Management Act, 2003 [Act 56 of 2003] which read as follows: “The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include 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.”
2. The Municipal Finance Management Act [MFMA], Circular No 32, stipulate clearly the manner in which the overall financial activities of the council should be handled and more emphasis is on the functionality of the oversight committee. Also the report ensures the executive and the administration account on the work of a municipality.
3. The annual report was posted on the municipality’s website and an advert was made on the local municipal website to invite the community to make comments on the annual report of which the copies of the report where made available on the municipal offices and libraries.
4. The oversight committee is there to ensure that the municipality runs its affairs in a manner that will promote effective use of Municipal resources. These will strengthen transparency as well as promoting good governance.
5. Finally, let me congratulate the municipality for obtaining an unqualified audit opinion, we should strive for clean audit and address the matters of emphasis currently expressed by the Auditor General in our audit action plan. Furthermore council should provide administrative support to the MPAC in order to ensure that service delivery and financial accountability is enhanced.

CLLR TT TAEDI
MPAC CHAIRPERSON

BACKGROUND

1. In accordance with the provisions of Section 79 (1) (a) (b) and (c) of the Municipal Structures Act 1998 a municipality may establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers and appoint the members of such committee from among its members. Furthermore Section 79 (2) of the Municipal Structures Act, 1998 provides the framework and guidelines within which such committees of council shall operate.
2. Thus in order to enhance, promote and consolidate the oversight role of the Council over the executive, the Department of Cooperative Governance and Traditional Affairs having consulted the National Treasury and SALGA, has instructed that all municipalities must establish MPACs. The focus of the MPAC will be to assist Council to hold the executive to account and to ensure the effective and efficient use of municipal resources.
3. 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. The oversight report 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.
4. The 2016 /17 Annual Report was tabled to Council on the 31st of January 2018 in compliance with Section 127 (2) of the Municipal Finance Management Act, 56 of 2003. Annexure A of MFMA Circular No 32 regarding the Structure and Contents of the Oversight Report has been adhered to.

MPAC MEMBERS COMPOSITION

1. An MPAC Committee was established by Council in terms of section 79 of the Municipal Structures Act, 117 of 1998.

The Committee comprises of:

- Cllr TT Taedi [Chairperson of MPAC]
- Cllr MB Mohlabakoe
- Cllr BP Esau
- Cllr TA Soaisa
- Cllr MM Snyer

The MPAC Committee met on the 20th of March 2017 to consider the annual report. This report details the findings of the Committee.

PURPOSE OF THE OVERSIGHT REPORT

1. An Oversight Report containing Council and Public comments on the Annual Report must be adopted no later than two months, after the tabling of the Annual Report in Council as stated in Section 129 (1) of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA).
2. In terms of Section 121(1), every Municipality must for each financial year prepare an Annual Report. The Council must within nine months after the end of a financial year deal with the Annual Report in accordance with section 129. In terms of Section 127(5), the Accounting Officer must immediately after the Annual Report is tabled, make public the Annual Report, invite the local community to submit representations in connection with the annual report and submit the Annual Report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province. In terms of Section 129(1), the council must consider the Annual report by no later than two months from the date on which the Annual Report was tabled and adopt an Oversight Report containing the Council's comments on the Annual Report.
3. The Oversight Committees' primary role will be to consider the Annual Report, receive inputs from the various role players and to prepare a draft Oversight Report for consideration by Council. Undertake a review and analysis of the Annual Report invite, receive and consider inputs on the Annual Report. Consider written comments received on the Annual Report from the public. Allow the local community or any organs of state to make representations on the Annual Report.

THE PROCESS FOLLOWED

1. The 2016 / 2017 Annual Report was first tabled to Council on the 31st of January 2018 with resolution no: 7 / 01 in compliance with section 127 (2) of the Local Government: Municipal Finance Management Act, 56 of 2003.
2. Council resolved to refer the annual report to MPAC for oversight and compilation of oversight report. Public notice on the draft 2016 / 17 annual report was advertised on the municipal website to invite public comments. No written representations from the public were received at a time of preparing this report.

FORMAT OF THE ANNUAL REPORT

1. The annual report preparation complied fully with the legislative requirements of MFMA Circular No 63. Tswelopele Local Municipality's 2016 / 17 Annual Report addresses the following areas:
 - Chapter 1 : Mayor's Foreword and Executive Summary
 - Chapter 2 : Governance
 - Chapter 3 : Service Delivery Performance
 - Chapter 4 : Organizational Development Performance
 - Chapter 5 : Financial Performance
 - Chapter 6 : Auditor General's Findings
 - Appendices

Annexure C of the MFMA Circular No 32, the Checklist for considering the annual report was also used as a tool to assess the alignment of the annual report; the checklist summarized the information to be included in the annual report. It also served as a support and a guide.

ANALYSIS OF THE ANNUAL REPORT

1. The content and structure of Tswelopele Local Municipality's Annual Report fully complies with the MFMA Circular No 63 and section 121 (3) and 4 of the MFMA. The content adheres to the framework, in that it comprises of;
 - Annual Financial Statements
 - Audit Report
 - Annual performance report
 - Assessment on any arrears on municipal taxes and service charges
 - Particulars of corrective action to be taken on issues raised in the audit report
 - Explanations to clarify issues on financial statements
 - Any other additional information as determined by the municipality
 - Performance of service providers during the financial year
 - Other reporting requirements in terms of other legislation
 - Other additional disclosures

Chapter 1: Mayor's Foreword and Executive Summary

- The committee agreed that issues addressed under this annual report are relevant, true and compliant to the circular as well as the checklist for considering the annual report.
- Funds that are available should be used economically and effectively in order to reach the municipal's objectives and goals.

Chapter 2: Governance

- The Accounting Officer should continue providing guidance and advice on compliance with various Acts to political structures, political office bearers and officials of the municipality as contained in section 60 of the MFMA.
- The municipality should strive to enhance intergovernmental relations at all times.
- The use of the municipal newsletter to reach all communities should be revived; the municipality needs to improve on feedback mechanism currently being used.
- All stakeholders must be represented at all meetings involving communities.
- The municipality needs to improve the overall compliance with all applicable laws and regulations.

Chapter 3: Service Delivery Performance

- The municipality must limit the usage of consultant except in specialized fields;
- The capital budget should be used only for capital projects for effective infrastructure development.

Chapter 4: Organizational Development Performance

- The municipality needs to implement performance management across all levels and evaluations be carried as per the performance regulations.
- The municipality must strive to appoint competent personnel in all critical vacant positions.

Chapter 5: Financial Performance

- All the components of revenue and expenditure have been noted with great interest.
- That the revenue enhancement strategy be implemented accordingly to improve the financial situation in the municipality.

Chapter 6: Auditor General's Findings

- The committee acknowledges the opinion expressed by the Auditor-General of unqualified with matters of emphasis.
- The Auditor General made a presentation to Council on the detailed report and highly indicated that even though the municipality received an unqualified audit report on financial statement, there is still major work that needs to be done to correct the areas of concerns.
- Implementation of the audit action plan must be enforced by management.

RECOMMENDATIONS OF THE MPAC / OVERSIGHT COMMITTEE

- 1.1. **THAT** Council after having fully considered the annual report of Tswelopele Local Municipality 2016 / 2017 adopts the Oversight Committee Report in terms of section 129 of the Municipal Finance Management Act, 56 of 2003.
- 1.2. **THAT** Council approves the annual report 2016 / 2017 of Tswelopele Local Municipality without reservations in terms of section 129 of the Municipal Finance Management Act, 56 of 2003.
- 1.3. **THAT** the audit action plan be implemented and monitored continuously in addressing issues raised by the Auditor General's report.
- 1.4. **THAT** management make a presentation on progress made regarding the implementation of the audit action plan to the MPAC on quarterly basis.
- 1.5. **THAT** the 2016 / 2017 oversight report be made public in terms of section 129(3) of the Municipal Finance Management Act, 56 of 2003 and be submitted to Free State Legislature in terms of section 132 (2) of the MFMA and also be published in the municipal website.

CLLR TT TAEDI
MPAC CHAIRPERSON

DATE