MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

OVERSIGHT REPORT ON 2016/2017 DRAFT ANNUAL REPORT

PRESENTED TO COUNCIL

06 APRIL 2018

NEW COUNCIL CHAMBER
MEMBERS OF THE MPAC COMMITTEE

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<th>Number</th>
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<td>1.</td>
<td>Cllr M Tsiri</td>
<td>Chairperson</td>
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<td>Cllr Mphekgwane</td>
<td>Member</td>
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<td>3.</td>
<td>Cllr M Mothapo</td>
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<td>Cllr T Chidi</td>
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<td>Cllr R Malema</td>
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<td>Cllr M Sesera</td>
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<td>Cllr J Mogale</td>
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<td>Cllr V Mathye</td>
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<td>Cllr M Maakamela</td>
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FOREWORD BY CHAIRPERSON

In accordance with the provisions of Section 79(1) (a) of the Municipal Structures Act, no 117 of 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. The Municipal Public Accounts Committee of Polokwane Municipality was established by Council and the focus of MPAC is to assist Council to hold the executive to account and ensure the effective and efficient use of municipal resources.

The committee was mandated to consider and evaluate the content of the report and present an oversight report with recommendations to the Council in the Council Meeting. It is imperative to note that the oversight function of Council over the executive and administration is not an event but a process that unfolds throughout the course of the year. Effective oversight played by Council over administration would result in better performance of the municipality. Critically, the oversight occurs at various levels in the municipality, including Senior Management, Accounting Officer, Executive Mayor and Mayoral Committee, Standing Committee and the Council.

In this regard, the role of the MPAC is to consider the annual performance report for the purpose of quality assurance and recommending to Council on whether to adopt or reject the report.

Key to this exercise, the MPAC endeavored to ensure that the executive and administrative leadership are held accountable for performance in their respective departments/units during the financial year under consideration.
1. **INTRODUCTION**

The annual report is a key instrument 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, in this instance 2016/2017. The adoption of an Annual Report is a legislated requirement in terms of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA).

Section 129 of the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) requires the Council to consider the annual reports of its municipality and of any municipal entity to adopt an "oversight report" containing the Council's comments on each annual report. The Oversight Report is the final major step in the annual reporting process of the municipality.

The oversight report must include a statement whether the Council:

- Has approved the annual report, with or without reservations;
- Has rejected the annual report; or
- Has referred the annual report back for revision of those components that can be revised.

2. **PURPOSE OF THE REPORT**

The main purpose of this report is to recommend to Council the consideration of the 2016/2017 Annual Report and to adopt an oversight report containing Council's comments on the Annual Report in terms of Section 129(1) of the Local Government: Municipal Finance Management Act, 2003 (Act no.56 of 2003).

The municipality must prepare an Annual Report for each financial year in accordance with the prescripts of the MFMA and the Local Government Municipal Structures Act, 1998 (Act No.117 of 1998) (MSA).

The purpose of the Annual Report is:

- To provide a record of the activities of the municipality;
- To provide a report on performance in service delivery and against the budget;
- To provide information that supports the revenue and expenditure decisions made; and
- To promote accountability to the local community for decisions made.
3. **LEGAL FRAMEWORK**

**ANNUAL REPORT 2016/2017**

3.1 **LEGAL FRAMEWORK**

Herewith an extract from key legislative requirements as per the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA) relating to the Annual Report:

121. Preparation and adoption of annual reports.

Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a 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.

The purpose of an annual report is—

a) To provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;
b) To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
c) To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

127. Submission and tabling of annual reports

The Mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.

129. Oversight reports on annual reports.

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 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.
ANNUAL REPORT CONSULTATION PROCESS

a) The draft Annual Report 2016/2017 was tabled to Council on 31 January 2018 in compliance with the Municipal Finance Management Act (MFMA), no 56 of 2003 which requires under Section 127(2) that:

"The Mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality."

b) The draft Annual Report 2016/2017 was made public on the Municipal Website within five (days) and within seven (7) days in the local newspaper after it was approved by Council 31 January 2018, summarized and public hearing was conducted (Annexure C)

c) Members of the community and other stakeholders were invited to submit written comments/inputs into the Draft Annual Report. In addition, the Draft Annual Report 2016/17 was also made available at all Municipal Libraries, All Cluster Offices and other identified offices. (Annexure D)

d) Copies of the 2016/17 draft annual report were submitted in terms of Section 127(5)(b) to the following stakeholders as required by the MFMA: Provincial Treasury, National Treasury, Provincial COGHSTA and Auditor General.

e) The Municipal Public Accounts Committee held a meeting to adopt the 2016/17 Draft annual report probing Action plan (Annexure A)

f) Meetings were held as per the action plan (Annexure B)

g) The committee conducted a project side inspection visits on the 01 and 02 June 2017, and the following are the projects that were visited per Cluster: (Annexure F)

h) Report on the interrogation on draft annual performance, committee questions and management responses. (Annexure E)

CHALLENGES

1. The committee is frustrated by continuous obstruction of information and correspondences by the administration in the accounting officer’s office.

2. There is procrastinating delays in responding the committee dismally by the management.

3. The committee needs admin assistant.

4. The upper limits on the travelling of councilors within municipal jurisdiction.

5. The consultants and some project managers of the municipal projects do not avail themselves during project visits.

GENERAL FINDINGS

1. The recurring inconsistence on the reporting.

2. The furnishing of unreliable information.

3. The Municipality requested indulgence with Auditor General on their findings.

4. The municipality lacks forward planning in the SBU’s.
5. The stagnant of projects due to various factors inter alia: declining of cash flow by the service providers.
6. The consultants are not monitored.
7. The municipality does not impose punitive measures to underperforming service providers.

RECOMMENDATIONS OF THE MPAC

1. That accounting officer must implement quality assurance framework.
2. That the electrification projects must be started and completed on time.
3. That the reporting formula on project performance must show; budget, expenditure and adjusted amount.
4. That the roads and storm water must rectify the budget adjustment amount reported.
5. That the Municipality must conduct health inspection in all food outlet stores within the city including hawkers and restaurants which sells foreign food, mostly are situated on Dahl, Onder and Boom street.

The inspection report contained this information; name of stores, venue, date, store manager or trader must be presented to the committee on monthly basis from May 2018 and to council for noting.

That the law enforcement must formulate confiscated assets register an example is called SAP13 in terms of South African Police Services.

6. That the performers must be paid in market trend as per art industry.
7. That the SBU’s must conduct feasibility and forward planning on every project.
8. That the municipality must improve the storage and filing system.
9. That the APAC must use internal risk register to manage the risks adequately in order to avoid audit opinion and unfavorable findings.

That the APAC must review external auditors’ work regularly and effectively.
10. That supply chain management must appoint service providers on time, in order to avoid delays in service delivery.
11. That the work of service provider rendering assets management must be reviewed.
12. That the rezoning of business operating in Dahl, Onder and Boom street must be rezoned.

The rezoning report be furnished to the committee as of May 2018, and to council for noting.
13. That the LED must develop the initiatives that will create permanent job opportunities.
14. That the SBU's with mutual interest in the project must plan together to avoid
    predicaments e.g. extension 76 park in ward 8.
15. That the municipality must effectively implement their plan to return or dispose the
    municipal Rhino's.
16. That the new policy of worker's residence must be made.
17. That ICT unit must hire higher highly qualified personnel with adequate experience in order to
    improve the internal control.
18. That the policy for missuses of municipal vehicles be rapidly finalized.
19. That the PHA must provide the committee and notify council with their turnaround strategy
    of the new board.
    That the PHA must provide a detailed report of their staff and service providers to the
    committee.
20. That the capital works program must be implemented as planned.

21. THAT THE 2016/217 ANNUAL DRAFT REPORT BE APPROVED WITH RESERVATIONS OF
    AUDITOR GENERAL'S AUDIT REPORT PENDING THE INDULGENCE.

[Signature]
Cllr MM TSIRI
MPAC CHAIRPERSON
ANNEXURE 'A'
6.1. RESOLUTIONS OF COUNCIL

MPAC OVERSIGHT REPORT ON THE 2016/17 DRAFT ANNUAL REPORT

RESOLVED

1. That Council mandates the Accounting Officer to implement the Quality Assurance Framework.
2. That all approved projects for implementation be started and completed on time (timeframes with performance indicators).
3. That the budget, expenditure, and adjusted amounts be included in the reporting formula on the project performance.
4. That Council mandates the Roads and Storm Water (Strategic Business Unit) SBU to rectify the budget adjustment amounts as reported.
5. That Council review the By-Law to enable management to conduct health inspection in all food outlets within the City and a monthly report be provided to Council.
6. That the performers be paid in accordance with the market trends per art industry.
7. That the SBUs conduct feasibility study and forward planning on the projects to be implemented.
8. That the Municipal Storage and Filling System be improved.
9. That Council mandate the APAC to utilize the Internal Risk Register to manage the identified risks adequately to avoid negative audit opinion.
10. That Council mandate the Supply Chain Management SBU to appoint service providers on time in order to improve the lives of the people through service delivery.
11. That the services of the contractor appointed to manage the municipal asset be reviewed.
12. That Council authorizes the Accounting Officer to enforce the policy on illegal land use on the business operating in Dahl, Onder and Boom streets.
13. That the LED develop initiatives that will create permanent job opportunities.
14. That the SBUs with mutual interests on a certain project be allowed to plan together to avoid predicaments.
15. That Council dispose the Municipal Rhinos.
17. That the ICT SBU employ highly qualified and experienced personnel to improve the internal controls.
18. That the policy on the management of Municipal Vehicles including Consequence Management Policy be finalized.
19. That the PHA provide the Committee and Council on the turnaround strategy of the new board including a detailed report on staff and service providers.
20. That the planned Capital Works Programme be implemented as such.
22. That MPAC be provided with training and Admin Assistant for administrative purposes.
23. That the time frame of six months be included in all recommendations and progress report be provided to Council.

**Action:** Municipal Manager