



**Municipal Public
Accounts Committee
Oversight
Report on draft Annual
Report
2016/2017
DATE: 12 March 2018**

DATE OF MEETING: 12 MARCH 2018

**MEMBERS OF THE SHARED THABO-MOFUTSANYANA DISTRICT MUNICIPALITY
PUBLIC ACCOUNTS COMMITTEE:**

CLLR M. M. TWALA- Chairperson

CLLR M LEBESA

CLLR T B JAKOBO

CLLR M M HLAKANE

CLLR L G NHLAPO

CLLR M J MOKOENA

CLLR I T MKHWANAZI

CLLR S MKHWANAZI

SUPPORT STAFF:

TMDM

MANAGER INTERNAL AUDIT: Mr W. NHLAPO

ADMINISTRATOR – Me D DLAMINI -Secretariat- Committee Minutes

MANTSOPA

MUNICIPAL MANAGER: Mr. T.P MASEJANE

MANAGEMENT TEAM

1. PURPOSE OF REPORT

To consider the Municipality's Draft Annual Report for the 2016/2017 financial year 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) (hereafter indicated as MFMA).

2. BACKGROUND

(a) Legal Requirements

Section 121(1) (2) and (3) of the MFMA determines as follows:

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 of a municipality in accordance with section 129.

(b) The purpose of an annual report is:-

- (i) To provide a record of the activities of the municipality during the financial year to which the report relates;
- (ii) To provide a report on performance against the budget of the municipality for the financial year; and
- (iii) To promote accountability to the local community for the decisions made throughout the year by the municipality.

(c) The annual report of a municipality includes the following-

- (i) The annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
- (ii) The Auditor-General audit report in terms of section 126(3) on those financial statements;
- (iii) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- (iv) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, Act 32 of 2000;
- (v) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
- (vi) An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;

- (vii) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports (Action plan).
- (viii) Any explanations that may be necessary to clarify issues in connection with the financial statements;
- (ix) Any information as determined by the municipality;
- (x) Any recommendation as determined by the municipality; and
- (xi) Any other information as may be prescribed.

In terms of section 127(5) of the MFMA, 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.

According to section 129(1) of the MFMA, the council must consider the Annual Report by no later than two months from the date on which the annual report was tabled, adopt an oversight report containing the Council's comments on the annual report which must include a statement whether-

- *The Council has approved the Annual Report with or without reservations;*
- *The Council has rejected the Annual Report or*
- *The Council has referred the Annual Report back for revision of those components that can be revised.*

3. PROCESS

a) Submission and tabling of the Annual Report

The Draft Annual Report of the Municipality for the 2016/2017 financial year was tabled at the Ordinary Council Meeting, on the **30 January 2017** in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 56 of 2003.

Council resolved at its meeting held on **30 January 2017**

- ***That Council takes note and approved the Draft Annual Report for the 2016/2017 financial year as tabled for it.***
- ***The Council resolved that draft annual report 2016/2017 referred to MPAC for review as part of the process.***

b) The Municipal Public Accounts Committee

The Municipal Public Accounts Committee was established in terms of the National Treasury: MFMA Circular Nr 32 and in terms of sec 79 of the Municipal Structures Act 17 of 1998. The purpose is that this Committee will play an oversight role and to analyse and review annual reports in detail before the Annual Report is submitted to Council for adoption. The Committee has met on the 12 March 2018 where the content of annual report 2016/2017 was discussed in detailed.

The Committee comprises of members from all political parties represented in Council. The Chairperson of the Committee is Cllr M Twala from the ANC.

In terms of the resolution by Council regarding the advertisement of the Draft Annual report:

- (i) The local community was invited via the press to submit comments /objections received about the Annual Report and no comments or objections were received. Other stakeholders meeting will be held on 15 March 2018 because the process is continuing.

4. REPORTS OF THE CHAIRPERSON ON THE ANNUAL REPORT

DISCUSIONS ON FINANCIAL AND NON- FINANCIAL INFORMATION

4.1. CONTENTS OF DRAFT ANNUAL REPORT 2016/2017

- The PMS Manager on behalf of Accounting Officer indicated that the draft annual report 2016/2017 was submitted on time hopefully the Committee got ample time to go through the report which is divided into Chapters in terms of legislation and relevant circular 32 of Municipal Finance Management Act, Act No 56 of 2003.
- The municipal services account for Councilors, Senior Management and line Managers were presented which indicated outstanding debts where arrangements were (made and not made) and the one that has credit balances.
- The third-party payments are in order except the outstanding amount on pension funds of all employees amounting to R900 000.00.

4.2 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE CONCLUSION ON CONTENTS OF DRAFT ANNUAL REPORT 2016/2017

- The MPAC took note of all the components of draft annual report 2016/2017 and that it tabled before Council on 30 January 2017

- The MPAC indicated that it is not proper in terms of legislation for municipal councilors and officials to owe municipal services and for the councilor to occupy municipal property of the municipality he/she is a Councilor.

5. RECOMMENDATIONS TO COUNCIL ON THE DRAFT ANNUAL REPORT 2016/2017.

- 5.1 The Council should approve the draft annual report 2016/2017 with reservation in terms of section 129(1)(a) of the Local Government Municipal Financial Management Act (MFMA Act No 56 of 2003).
- 5.2 That the oversight report 2016/2017 should be submitted to the provincial legislature within a legislated time-frame in terms of section 132(2) of the MFMA and should be made public in terms of section 129(3) of the MFMA, after approval.
- 5.3 Resolution taken by Council on the adoption of draft annual report 2016/2017 together with adopted annual report 2016/2017 should be send to relevant stakeholders and Chairperson of Shared MPAC within a legislated timeframe.

ADDITIONAL RECOMMENDATIONS TO COUNCIL ON THE OPERATIONS OF THE MUNICIPALITY

- 5.4 Progress on action plan on issues raised by Auditor General 30 June 2017 should be submitted quarterly or regularly to the Committee to monitor implementation status as was also recommended in previous financial year (30 June 2016).
- 5.5 MPAC recommended that Ad-hoc Council Committees, that is, Section 32 Committee, Oversight Committee, or investigations should not be established in future as their functions has been mandated to be perform by MPAC.
- 5.6 MPAC recommended that proper mechanism should be put in place to ensure that Councilors or officials should not owe municipal services for more than 90 days to be in line with the requirement of legislation.
- 5.7 MPAC recommended that no municipal councilor may use, take, acquire or benefit from any property or asset owned, controlled or managed by the municipality to which that council in terms of section 12 of Code of Conduct for Councilors in Municipal Systems Act, Act No 32 of 2000 as amended, such councilor should vacate the property as a matter of urgency in the absence of Council approval/resolution.
- 5.8 MPAC recommended that all critical posts should be filled to ensure improvements in terms of performance and to do away with acting-ship.
- 5.9 MPAC recommended that investigation for unauthorized, irregular, wasteful and fruitless expenditure should be submitted regularly to the Committee for investigations.

6. REASON FOR APPROVING WITH RESERVATION

- 6.1 Regression in terms of audit opinion from previous financial year
- 6.2 Non-production of credible and reliable annual financial statements
- 6.3 Non-compliance with key legislation
- 6.4 Non-implementation of action plan on issues raised by Auditor General in the previous financial year
- 6.5 Failure to play oversight role by the leadership of the municipality.

Submitted to Council for approval by:



CLLR M. M. TWALA
CHAIRPERSON: MPAC