

ITEM: COUN 04 05/2021

OFFICE OF THE MUNICIPAL MANAGER: *MPAC OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020*

(10/2/1/1) (GR) (COUNCIL: 26 MAY 2021)

The Municipal Manager reports as follows:

“Section 129 of the Municipal Finance Management Act, 56 of 2003 (MFMA) requires the council to consider the annual report and to adopt an oversight report.

Thus, the Audit Performance and Risk Committee and the Municipal Public Accounts Committee (MPAC) as appointed by Council sat as follows:

The Audit Performance and Risk Committee, appointed by Council with the primary purpose of advising Council, political office bearers and the accounting officer on matters relating to Section 166 (2) - (3) of Municipal Finance Management Act and other applicable laws and regulations, sat on 06 May 2021 to consider the report.

The committee assessed the report and made recommendations to the MPAC.

The Audit Performance and Risk Committee report is attached as *Annexure 1. (APRC 1 - APCR 3*

The Municipal Public Accounts Committee (MPAC) appointed by Council to amongst others oversee the content of the annual report on its behalf sat on 25 May 2021 to consider the 2019/20 annual report.

The Committee took into consideration the inputs from the audit, performance and risk committee.

The MPAC oversight report is attached as *Annexure 2 (MPAC OVR 1 – MPAC OVR 4).*

The Municipal Manager recommends as follows:

RECOMMENDATION

1. Council having fully considered the draft annual report adopts the MPAC oversight report.
2. Council approves the 2019/20 draft annual report without reservations.

RESOLVED

1. Council considered the draft annual report and the MPAC oversight report.
2. Council approved the 2019/20 annual report without reservations.

W. Bode

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SPEAKER

23/06/2020

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DATE

FRANCES BAARD DISTRICT MUNICIPALITY



MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) OVERSIGHT REPORT ON THE 2019/2020 ANNUAL REPORT

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1. INTRODUCTION

In accordance with the provisions of Section 79 (1) (a) (b) and (c) of the Municipal Structures Act 117 of 1998 as amended, 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.

During the 2009 Association of Public Accounts Committee (APAC) Conference a resolution was taken stating that the Conference supports the establishment of Municipal Public Accounts Committees (MPACs) in each municipality in the country as part of improving financial management and accountability at local level.

Thus, in order to enhance, promote and consolidate the oversight role of the Council over the executive, the Department of Cooperative Governance, Human Settlements and Traditional Affairs having consulted the National Treasury and SALGA, has instructed that all municipalities to 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.

The 2019/2020 annual report was tabled to Council on 31 March 2021 in compliance with Section 127 (2) of the Municipal Finance Management Act, 56 of 2003.

2. MPAC COMMITTEE

An MPAC Committee was established by Council resolution COUN 01 11/11 in terms of section 79 of the Municipal Structures Act, 117 of 1998 as amended. The Committee consists of:

Cllr T Matika	MPAC Committee (Chairperson)
Cllr M Kaars	Finance Committee
Cllr M Beylefeld	Planning and Development Committee
Cllr M A Mahutie	Policy & Institutional Development Committee
Cllr A K Zalisa	Planning and Development Committee
Cllr K M Sebege	Social Development Committee
Cllr K C Phiri	Finance Committee
Cllr C Mkhonza	Policy & Institutional Development Committee

The MPAC Committee met on Monday, 25 May 2021 to consider the annual report. The committee considered the draft annual report for 2019/2020 according to a checklist provided by National Treasury in MFMA Circulars No. 11, 32 and 63 for this purpose. This report details the findings of the committee.

3. REVIEW / ANALYSIS OF ANNUAL REPORT

3.1 Review of inputs

No public inputs were received by the municipality in response to the invitation for comments on the draft annual report for 2019/2020 placed in a local newspaper on 09 April 2021 and the FBDM website. The draft annual report was reviewed by the audit, performance and risk committee.

3.2 Observations as guided by the inputs from the Audit, Performance & Risk Committee

3.2.1 Financial management challenges at local municipalities

Financial management and governance continue to pose major problems at local municipalities as capital project allocations was not utilised by the end of the financial year.

3.2.2 Unqualified audit opinion

The district municipality received an unqualified audit opinion without matters of emphasis.

3.2.3 Vacancies at senior management level

The length of vacancies at senior management level remains a concern.

3.2.4 The impact of Covid-19 pandemic on service delivery

The pandemic seriously hampered service delivery as normal operations were interrupted, and some projects had to be rolled over to the new financial year.

3.2.5 Depleting reserves

The district municipality continues to make use of its reserves to cover the budget deficit. If this trend continues the municipality will find itself with depleted reserves and unable to support local municipalities with funding.

4. Commendations

The Committee wish to commend the management of the municipality for:

- Maintaining its clean audit record; and
- The effort that went into compiling the annual report.

5. Recommendation

The Committee recommends that Council approves the 2019/20 annual report without reservations, with the corrections as indicated by the audit, performance and risk committee.

- End -

REPORT OF THE AUDIT, PERFORMANCE AND RISK COMMITTEE TO THE FRANCES BAARD DISTRICT MUNICIPAL COUNCIL ON THE DRAFT ANNUAL REPORT FOR THE YEAR ENDING 30 JUNE 2020

1. PURPOSE

The purpose of the report is to recommend to the oversight committee on any issues to be corrected in the draft annual report as required by section 166(2) of the Municipal Finance Management Act (MFMA) of 2003.

2. BACKGROUND

Section 166(2) of the Municipal Finance Management Act read with the Charter and King IV clarifies the roles and responsibilities of the Audit Committee.

The Audit Committee must respond to Council on any matters to be corrected in the annual report. A meeting was held with management on the 06 May 2021 to review the draft annual report. The minutes detailing the analysis of the annual report will be tabled to Council in ensuring oversight and reporting thereof.

The Audit Committee noted that the draft annual report was tabled to Council on 31 March 2021 and that the oversight committee and/ or municipal public accounts committee will perform their review.

Although these processes will continue in the future, it appears appropriate that the Audit Committee reports in terms of section 166(2) as soon as possible after discussion of the report.

3. REVIEW OF DRAFT ANNUAL REPORT 2019/20

Chapter 1 – Mayor’s foreword and executive summary

We draw your attention to the view of the honourable Mayor that the challenges with financial management and governance continue to pose major problems at local municipalities such that the R8 million allocated for capital projects was not utilised by the end of the financial year.

We draw your attention to the statement by the municipal manager that the municipality received an unqualified audit opinion without findings.

Chapter 2 – Political & Administrative Governance

The audit committee applaud the political structure and municipal manager for governing the municipality in its current format and executing its administrative responsibilities with three vacancies in senior management positions. However, length of time these senior management positions have not been filled remains a concern to the Audit Committee.

Chapter 3 – Service Delivery Performance

We took note of the service delivery performance as reported under the difficult times of Covid-19 and national lockdown which interrupted the operations of the municipality in the last quarter as this resulted in some of the projects being rolled over to the new financial year. We commend the municipality for being able to commit financial and human resources in the manner they have done under such circumstances.

Chapter 4 – Organisational development performance

Human resource management is key to the municipality and we draw your attention to the number of vacant positions especially in senior management position in the municipality. The municipality could find itself in a scenario where the Municipal Manager is the only Senior Manager in a non-acting position which is not sustainable, we urge the municipality to consider the impact of these vacancies and encourage council to address the underlining problem.

Chapter 5 – Financial Performance.

We draw attention to the fact that the municipality continues to make use of the reserves to cover for the budget deficit, this trend is only getting worse year by year. It is forecasted that if this trend continues the district municipality will find its self with depleted reserves and unable to support local municipality with funding, we recommend that the municipality find ways to fund its budget to avoid depleting the remaining reserves in the coming years.

The municipality should apply their mind on how to remain relevant as a district municipality when most funds are utilised to fund employees. In this regard a review of the functions, duties and optimal human resource compliment should be considered to ensure that the organisational structure remains relevant.

We advise timeous assessment of the impact of upcoming Generally Recognised Accounting Practices (GRAP) standards; and the oversight committee, council and the audit committee should be provided with assurance that these standards have been considered.

Chapter 6 - Auditor General Audit findings

The audit committee took note of the audit findings.

Auditor General opinion of financial statements 2019/20

The draft annual financial statements were reviewed by the Audit Committee on 19 and 29 October 2020. We place reliance on the financial information presented in the audited financial statements.

The Committee commends the municipality for obtaining a clean audit and urge management to remain committed to maintaining the status quo.

We recommend changes to the numbering provided on the index page of the annual financial statements.

General comments

The Audit Committee is satisfied with the overall improvement on the administration of the municipality and efforts by management in putting together the annual report.

Yours sincerely

TDJ Mogoli
Chairperson of the Frances Baard District Municipality Audit, Performance and Risk
Committee
11 May 2021