



OVERSIGHT REPORT: 30 JUNE 2018



Fezile Dabi
District Municipality

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GLOSSARY

AFS	- Annual Financial Statements
AGSA	- Auditor General of South Africa
APR	- Annual Performance Report
Cllr	- Councillor
EM	- Executive Mayor
FDDM	- Fezile Dabi District Municipality
PMS	- Performance Management System
IDP	- Integrated Development Plan
MEC	- Member of Executive Council
MMC	- Member of Mayoral Committee
MFMA	- Municipal Finance Management Act
MPAC	- Municipal Public Accounts Committee
MSA	- Municipal Systems Act
PMU	- Project Management Unit
SALGA	- South African Local Government Association
SDBIP	- Service Delivery Budget Implementation Plan

1. FOREWORD BY THE CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

It gives me a great pleasure on behalf of the Fezile Dabi District Municipality Public Accounts Committee (MPAC), to present the oversight report on the contents of the municipality Annual Report for the period ending 30 June 2018. This report serves as the second submission of the municipality oversight report to the Municipal Public Accounts Committee during the current political term of office. Therefore, in carrying its oversight responsibilities MPAC has considered the following:

- Studied and scrutinized the contents of the Annual Report for the period ending 30 June 2018;
- Invited, received and considered inputs from officials of the municipality on the Annual Report;
- Considered any written comments from the public (None were received);
- Received and considered municipality's Audit Committee views and comments on the Annual Financial Statements (AFS) and the Annual Performance Report;
- Prepared Oversight Report taking into consideration the views and inputs of the representatives of the Auditor General, Audit Committee and Councillors.

This report would have not been completed without the support and inputs received from all stakeholders. Let me therefore take this opportunity to express my gratitude to the community of Fezile Dabi District Municipality, members of MPAC for your hard work and commitment which has gone unnoticed during the compilation of this report as mandated by council in terms of section 129 of the Local Government: Municipal Finance Management Act No. 56 of 2003.

In conclusion let me also take this opportunity to acknowledge the unconditional support this committee has been accorded by the office of the Auditor General, the Executive Mayor, the Speaker, Councillors, the Municipal Manager, Senior Managers and officials of the municipality for their sterling work during the compilation of this report.

I hereby present this oversight report in which MPAC recommend to council to adopt the Annual Report for the period ending 30 June 2018 without reservations.

.....
Cllr. K Nketu
Chairperson MPAC

.....
Date

2. MEMBERS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The MPAC is established in terms of Section 79 of the Municipal Structures Act and performs an oversight function on behalf of council and is not a duplication of other committees of council, such as the Finance Committee or that of the Audit Committee. Council is vested with the responsibility to oversee the performance of their municipality, as required by the constitution, the Municipal Finance Management Act and Municipal Structures Act.

The Municipal Public Accounts Committee was elected on the 14 October 2016. Council resolved that Cllr G. Nketu be elected as the chairperson of the Municipal Public Accounts Committee. The following Councillors serve as members of the Municipal Public Accounts Committee:

INITIAL & SURNAME	PARTY
Cllr Girtz Nketu	ANC
Cllr M. Pietersen	ANC
Cllr S. Tladi	ANC
Cllr S. Leponesa	ANC
Cllr A. Deploy	DA
Cllr K. Khunyeli	EFF

3. INTRODUCTION

The Local Government: Municipal Finance Management Act, Act 56 of 2004 (MFMA), assigns specific oversight responsibilities to council with regard to the Annual Report and the preparation of an Oversight Report. The Municipal Public Accounts Committee was established for ensuring that the executive implements programmes and plans in a way consistent with policy, legislation and the dictates of the Constitution. Given the processes required by council to effectively undertake its oversight role, the establishment of an Oversight Committee of council would provide the appropriate mechanism in which council could fulfil its oversight responsibilities. In the case of the Fezile Dabi District Municipality the Municipal Public Accounts Committee (MPAC) fulfils the role of performing Oversight Committee in the annual report processes.

The Oversight Committee's primary role is to consider the Annual Report, receive inputs from the various role players and to prepare a draft Oversight Report for consideration by Council. MPAC was further established for monitoring the service delivery and the levels of performance of the municipality. It should also assess effectiveness, efficiency, service quality and municipal productivity and provide reports on service delivery and budget implementation plan. Such implementation should assess whether promised service delivery targets have been delivered. MPAC plays an important role in

scrutinizing the spending of the municipal budget at the end of the financial year, which mirrors the work done by the finance department before the beginning of the financial year. It is emphasized that the oversight committee of a municipality cannot be a once off event which is confined to scrutinizing the financial statements, but must be on-going and aim at continuous improvement in the manner in which the municipality performs its functions and delivers its services to the community. MPAC would on a continuous basis assess the implementation of programs in the Integrated Development Plan in terms of the Service Delivery and Budget Implementation Plan; as well as oversee the financial performance of the municipality as reflected in the Annual Report and the Audit Report. Section 129 of the MFMA requires the municipality to prepare an oversight report on the annual report and to publicise it.

4. BACKGROUND

In an attempt to address the challenges of audit queries in a sustainable way and improve service delivery the municipality should deal with causes of qualified opinion which are reflected on its audit report. The oversight role of council is an important component of the financial reforms and it is achieved through the separation of roles and responsibilities between Council, the Executive (Executive Mayor and MMC Councillors) 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 powers that they have given to the Executive. In other words, in exchange for the powers in which Council have delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non-performance of the municipality. The MFMA vests in Council specific powers of approval and oversight.

The South African Local Government Association (SALGA) defines the concept of oversight as related to the idea of accountability: Accountability is the extent to which decision-making is responsive to the needs of the people in a municipality, is transparent, consultative and has systems in place to detect and punish wrong-doing or work not being done. Accountability is also both a condition and a process. As such, citizens can ask serious questions and assess the degree to which the municipality and its professional staff and officials, as well elected councillors, are accountable.

5. FUNCTIONS OF MPAC

MPAC's functions are to:

- Report to the Council on its activities;
- Review municipal quarterly and annual reports and report on such reviews to Council and shall develop a comprehensive oversight report on the annual report;
- Monitor the implementation of the IDP and SDBIP and submit reports thereto;
- Oversee policy formulation and implementation;
- Ensure that Council comply with external reporting requirements;
- Examine the financial statements and audit reports of the municipality and consider improvements from previous statements and reports and must evaluate the extent to which recommendations from the AG and Audit Committee has been implemented;
- Promote good governance, transparency and accountability;
- Examine the midyear review in line with the IDP;
- Consider SDBIP reports;
- Recommend any investigation in its area of competence to the Council;
- Request information from Councillors through the Office of the Speaker and from employees through the Office of the Municipal Manager and the relevant MMC Councillor be informed accordingly; and
- Perform any other function assigned to it by the Council.

6. COMPOSITION OF THE OVERSIGHT COMMITTEE

Membership

The Oversight Committee is a Committee of Council established under section 79 of the Municipal Structures Act, 1998. In the Fezile Dabi District Municipality MPAC fulfills the role of the Oversight Committee. Due to the separation of roles and responsibilities, between Council and the Executive it is not appropriate that members of the Executive be members of the Oversight Committee.

Meeting Schedule

The 2017/2018 Annual Report was submitted to council at its meeting on 30 May 2019, due to delayed audit for 2017/18 and as a result the Annual Report for the period under review could not be tabled on 31 January 2019 as required in terms of section 121 of the MFMA, and was referred to the MPAC to carry out the necessary oversight. After the Council meeting of the 30 May 2019, and in response to the Council resolution taken at that meeting, the municipality's Annual Report for 2017/2018 was made public in terms of Section 127(2) of the MFMA and the community was invited to submit representations

and comments. The community was advised through the municipality website and advert on the Sowetan Newspaper of the availability of the Annual Report and was invited to submit representations on the report. Copies of the annual report were placed at the municipal administration buildings and libraries, as well as the website. The Annual Report was also submitted to the Auditor-General, Provincial Treasury and the Department of Local Government & Traditional Affairs. No written submissions were received on the 2017/2018 Annual Report.

7. REVIEW OF THE ANNUAL REPORT

PURPOSE:

To table before Council the oversight report of the Municipal Public Accounts (**MPAC**) in respect of the Fezile Dabi Annual Report for the period ending 30 June 2018 as required in terms of section 129 of the MFMA and Circular no.32 of the MFMA.

EXECUTIVE SUMMARY:

MFMA Circular No. 32 recommends the establishment of an Oversight Committee for the detailed analysis and review of the annual report, following its tabling in council and then drafting an oversight report that may be taken to council for discussion.

MPAC is required to perform the responsibilities of the Oversight Committee as envisaged in MFMA Circular No. 32 and Section 129. MPAC considered the 2017/2018 Annual Report of the Fezile Dabi District Municipality during its meeting held on the 23 July 2019. The minutes meeting are contained herewith in **Annexure 'A'**.

8. PROCESS FOLLOWED

The Fezile Dabi District Municipality Draft Annual Report for the period ending 30 June 2018 was tabled in council on the 30 May 2019 by the Executive Mayor, Honorable Cllr M Moshodi as per section 127 (2) of the Local Government: Municipal Finance Management Act no.56 of 2003.

During the council meeting of the 30 May 2019 where the annual report was tabled, a representative from the Office of the Auditor General of South Africa was also present as per the requirement of section 130 (2) of the MFMA.

The copy of the draft annual report for the period ending 30 June 2018 was also submitted to the Auditor General of South Africa, Provincial Treasury and CoGTA to perform quality assurance check on the contents of the annual report as per the requirements of section 127 (5) (b).

Immediately after tabling the annual report in council, the report was advertised on the Sowetan newspaper for a period of 21 days to invite public and local communities to make both written and oral representations on the contents of the annual report as per section 127 (5) (a) of the MFMA and Section 21A and B of the Local Government: Municipal Systems Act no.32 of 2000.

MPAC considered and analyzed the report during its meeting held on the 23 July 2019 as per section 129 of the MFMA and Circular no. 32 of the MFMA.

MPAC prepared the oversight report and tabled it to Council for approval as per section 129 of the MFMA.

9. ANNUAL REPORT 2017/18 CONTENTS IN SUMMARY

When evaluating the Annual report of the municipality for the period ending 30 June 2018, MPAC took into consideration and validate the existence of the following key components of the reports as required in terms of section 121 of the MFMA and Circular 32 of the MFMA:

No	Relevant Section in the Annual Report	Comments
1	<p>Chapter 1: Executive Mayor's Foreword and Executive Summary</p>	<p>Upon reviewing the Annual Report this section was found to be adequately covered in the report. Included in this section of the report is a section of the report is statements of account in a from Executive Mayor's Foreword, Executive Summary by the Municipal Manager and Municipal Overview linked to the council approved integrated development plan for the current term of council.</p> <p>Refer to pages: 3 – 11 of the Annual Report</p>
2	<p>Chapter 2: Governance</p>	<p>Upon review of the Annual Report governance section of the report was accounted for highlighting the following:</p> <ul style="list-style-type: none"> • Composition of Council, Political Office Bearers and Mayoral Committee; • Key Decision in a form of council resolutions taken during the period under review; • Administrative governance structure outlining details of senior management team; • Intergovernmental Relations Structure of the municipality focusing on meeting conducted during the period under review (Although it must be highlighted that on one Technical IFG meeting was convened during the period under review); • IDP Public participation meetings which were successfully convened in all local municipalities for the review of the 2018/19 IDP; • Corporate Governance with specific focus on Risk Management issues, including activities performed during the 2017/18 financial year;

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No	Relevant Section in the Annual Report	Comments
		<ul style="list-style-type: none"> • Anti-Fraud and Supply Chain Management was also covered under this section of the report; • This section of the report also covers summary report on functionality of the municipal website including publication of information on the website; • This section of the report covers the activities performed by MPAC in fulfillment of its oversight responsibilities, this also includes activities performed by the Audit Committee of the municipality. <p>Refer to pages: 12 – 22 of the report</p>
3	<p>Chapter 3: Service Delivery Performance (Performance Report Part I)</p>	<p>This section of the report accounted for the work performed by the departments of the municipality responsible for service delivery that is Environmental Health and Emergency and Local Economic Development covering activities relating to:</p> <ul style="list-style-type: none"> • Environmental Health Service; • Environmental Management; • Disaster Management; • Agricultural Development and Support; • Koppies Greenhouse; • Agricultural Cooperatives Supported; • SMMEs supported; • Tourism development; • Community and Social Development; and • Sports Development.

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No	Relevant Section in the Annual Report	Comments
		Refer to pages: 23 – 42 of the Annual Report
4	Chapter 3: Service Delivery Performance (Performance Report Part I) - Component C	<p>Upon reviewing the report it was evident that this section of the report was accounted as required in terms of section 46 of the Municipal Systems Act. During the period under review the Auditor General performed on performance information and focus was placed on KPA 2: Basic Service Delivery and Infrastructure Development.</p> <p>For detailed information in this regard refer to pages 43 – 113 of the report.</p>
5	Chapter 4: Organisational Development Performance (Performance Report Part II)	<p>Upon review the following key organisational development areas were disclosed and reported on in order to measure the outcome of effective organisational development against the municipality's strategic plans:</p> <ul style="list-style-type: none"> • Municipal Human Resource; • Capacitating the municipal workforce; • Managing the municipal workforce expenditure; • Organisational structure enhancement; • Increased accountability; • Increased participation in problem solving, goal setting and new ideas; and • Identifying and development of skills needed to perform <p>Refer to pages 114 – 119 of the report</p>
6	Chapter 5: Financial Performance	<p>Upon review the of this section of the report the following areas were adequately covered in the report:</p> <ul style="list-style-type: none"> • Supply Chain Management including its bid committees;

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No	Relevant Section in the Annual Report	Comments
		<ul style="list-style-type: none"> • Expenditure and Creditor analysis; • Component A with focus on the statement of financial performance; • Component B with focus of spending against capital budget; • Component C with focus on cash flow management and investments; • Component with focus on other financial matters focusing Auditor General Report, plans to enhance financial viability, financial ratios based on Key Performance Indicators; <p>Refer to pages 120 – 126 of the report</p>
7	<p>Chapter 6: Auditor General Findings prior year report (2016/17)</p>	<p>Upon review this chapter provides an overview of the Auditor-General Report of the previous financial year (2016/17) with specific focus on the following:</p> <ul style="list-style-type: none"> • Matters raised during the previous financial year’s audit; and • Remedial action taken to address those issues and preventative measures taken. <p>This section of the report also include the Auditor General report for current audit period namely 2017/18.</p> <p>Refer to pages 127 - 146 of the report</p>
8	<p>Appendixes</p>	<p>Circular 32 of the MFMA place a requirement that a credible annual report should provide information in relation various appendixes as provided for by the circular. Therefore information relating to the following appendixes was proved for in the report:</p> <ul style="list-style-type: none"> • Appendix A: Councillors; Committee Allocation and Council Attendance;

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No	Relevant Section in the Annual Report	Comments
		<ul style="list-style-type: none"> • Appendix B: Committee of Council and Committee Purpose; • Appendix C: Third tier Administrative Structure; • Appendix D: Powers and Functions of Municipality; • Appendix E: Ward Reporting; • Appendix F: Ward Information; • Appendix G: Recommendations of the Municipal Audit Committee; • Appendix H: Long term Contracts and Public Private Partnership; • Appendix I: Municipal Entity/Service Provider Performance Schedule; • Appendix J: Disclosure of Financial Interest; • Appendix K: Revenue Collection Performance (Not Applicable); • Appendix L: Conditional Grants Received: Excluding MIG; • Appendix M: Capital Expenditure – New & Upgrade/ Renewal Programmes: Including MIG; • Appendix N: Capital Programme by Project current year; <p>Refer to pages 147 – 164 of the report</p>
	<p>Volume II – Annual Financial Statements</p>	<p>The report also contained detailed information of the Audited 2017/18 financial year financial statements as required by section 121 of the MFMA,</p> <p>Refer to pages 165 – 233 of the report</p>

10. GENERAL OBSERVATIONS BY MPAC

The following are general observations by MPAC:

- 10.1. That the annual report should reflect progress made towards addressing matters that were raised by the Auditor General during the 2017/18 audit;
- 10.2. Progress reports pertaining to the above be submitted to MPAC as a separate item during its subsequent monthly meeting to monitor progress;
- 10.3. Management report separately to MPAC on progress made to address the Auditor General findings on irregular expenditure;
- 10.4. The report of the Audit Committee be incorporated in the final Annual Report as a matter of legal compliance; and
- 10.5. In future for MPAC to perform its oversight responsibility on the annual report there is a need to conduct public participation in all communities of the district, a programme to conduct such be prepared in consultation with the office of the Speaker.

11. RECOMMENDATIONS

Recommend to council that:

- 11.1. Council adopts the Annual Report for the period ending 30 June 2018 without reservations; and
- 11.2. The contents of the oversight report be made public.