

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OVERSIGHT REPORT



ALFRED NZO
DISTRICT MUNICIPALITY

ANNUAL REPORT FOR THE YEAR ENDING JUNE 2021

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1. ACRONYMS

AG	Auditor General
ANDA	Alfred Nzo District Municipality

FY	Financial Year
IDP	Integrated Development Plan
LED	Local Economic Development
LM	Local Municipality
MPAC	Municipal Public Accounts Committee
M & E	Monitoring and Evaluation
MIG	Municipal Infrastructure Grant
MFMA	Municipal Finance Management Act
MMC	Member of Mayoral Committee
NDP	National Development Plan
NKPA	National Key Performance Areas
OCA	Operation Clean Audit
PMS	Performance Management System
SDBIP	Service Delivery Budget Implementation Plan
SPU	Special Programmes Unit
SMME	Small Micro Medium Enterprises

1. BACKGROUND

Municipal Public Accounts Committee is required by Section 129 of the *Municipal Finance Management Act* No 56 of 2003 to submit and adopt an oversight report containing the council's comments on the annual report.

The Oversight report is a report of the Municipal Council and follows considerations and consultations on the Annual Report by the council itself. The main purpose of the annual report is to:

- Provide a record of the activities of the municipality or entity;
- To provide a report on the 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 district community for decision made.

Council is vested with the responsibility to oversee the performance of the municipality, as required by the Constitution, the *Municipal Finance Management Act (MFMA)* and *Municipal Systems Act 32 of 2000*.

Alfred Nzo District Municipality has delegated the responsibility of the Oversight Report on the Annual Report to MPAC in terms of **Council Resolution no OC/03/004/2021/22** dated 31 January 2022 and MPAC is responsible to:

- To consider and evaluate the Annual Report as tabled to council, and thereafter make recommendation to council in this regard
- To compile an oversight report and table in council no later than 60 days from the date of which the Annual Report was tabled, in terms of Section 129 of *Municipal Finance Management Act of 2003*.

The 2020/2021 Annual Report of the Alfred Nzo District Municipality (ANDM) and the Annual Report of the Municipality Entity, Alfred Nzo Development Agency (ANDA) were tabled in the Council on **31st January 2022**. Annual reports provide the Alfred Nzo District Municipality with the opportunity to report on the performance of the District Municipality and its entity. The Council of Alfred Nzo District Municipality Council took a resolution to defer the annual reports, tabled before the full Council by the Executive Mayor, to the Municipal Public Accounts Committee (MPAC).

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 next 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 to 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 ANDM 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.

The 2020/2021 Annual Report was prepared in terms of the provisions of the *Municipal Finance Management Act*, No. 56 of 2003. The Act aims to modernize budget and financial management while simultaneously promoting transparency and accountability. It gives further impetus to Annual Reporting (more stringent than *Municipal Systems Act* requirements) in terms of which municipalities are required to report against commitments in the IDP, business Plans and other supporting planning documents.

As stated earlier, the 2020/2021 Annual report was tabled to Council on **31st January 2022**. In terms of Section 127 (2) of the *Municipal Finance Management Act No 56 of 2003*, the Executive Mayor must submit the Annual Report within seven (7) months after the end of the financial year, which means that the report should be submitted by the end of January 2022 as it was.

In terms of Section 129 of the *Municipal Financial Management Act*, the municipal council is required to engage with, and finalize the annual report within two months after the end of the financial year, which is before or on March 31. The 2020/2021 Annual Report was submitted to Council timeously owing to timeous finalization of the Consolidated Annual financial Statements' Audit opinions

2. THE PURPOSE OF THE OVERSIGHT REPORT.

It is imperative to have some understanding of the accountability framework for municipalities in order to correctly understand the role of the Oversight Report as distinct from the Annual Report and any other reports required from the municipality. It is further important 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 on administration would result to better performance of the municipality. Oversight occurs at various levels in the municipality as confirmed below:

2.1. Accountability Framework for Local Government

	Responsible for:	Oversight over:	Accountable to:
Council	Approving policies, IDP and Budget	Executive Mayor and members of the Mayoral Committee	Community
Executive Mayor	Policy, Budgets, service delivery outcomes and Management of/oversight over	Municipal Manager	Council

	Municipal Manager.		
Municipal Manager	Outputs and implementation of policies and SDBIP.	The Administration	Executive Mayor
CFO and Senior Managers	Outputs and implementation of SDBIP	Financial Management and Operational Functions	Municipal Manager

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the *Municipal Financial Management Act* No 56 of 2003 requires the council to council to consider the annual report of its municipality and to adopt an “**oversight report**” containing the council’s comments on the annual report.

The Oversight Report follows consideration and consultation processes by the Municipal Public Accounts Committee (MPAC) on the Annual Report and is considered to be report of the Municipal Council to the community. It closes the level of success or otherwise, obtained the *Integrated Development Plan* (IDP) of the municipality and meeting the priority needs and stated desires of the community as contained in the *Integrated Development Plan*.

4. COMPOSITION OF THE COMMITTEE

The National Treasury: MFMA Circular (National Treasury issued Circular No.32 of 15 March 2006) expresses appreciation of the difficulties that could be experienced in trying to discuss the Annual Report within full council meetings. It thus recommends that the Council considers the Constitution of an Oversight Committee (Municipal Public Accounts Committee) as provided for in terms of

Section 129(4), to discuss the Annual Report leading to the adoption of the Oversight Report.

The Council of Alfred Nzo District Municipality established the Municipal Public Accounts Committee (MPAC) by resolution to consider and evaluate the content of the quarterly and annual reports and advise the council for adoption.

Council recognizes that it has the responsibility to oversee the performance of the municipality as well as that of its entity, Alfred Nzo Development Agency (ANDA) as contained in the Constitution, Municipal Finance Management Act (MFMA) and Municipal Systems Act. These legislation prescripts recognize that council has a critical role to play to ensure better performance by municipal departments and its entity. There is now a linkage between the strategic goals, set by the council through the integrated development plan (IDP), which are translated into the budget and the delivery of those goals which is reported in the annual report.

The Inaugural Council meeting of Tuesday, the **7th December 2021** established the MPAC as a mechanism to enable all councillors (and the public) to fully digest and discuss the contents with reference to National Treasury: MFMA Circular No. 32 of 15 March 2006, the role of the MPAC is to analyze and review quarterly and annual reports in detail and recommend to the Council on whether to adopt or reject the quarterly or annual report.

Key to this role is ensuring that the executive and administrative leadership are held accountable for performance.

The MPAC is made up of six non-executive members of council as confirmed in the table below:

Name	Designation / Representing
<i>Hon. N. Bongwana (Chairperson)</i>	<i>Councillor</i>
<i>Hon. F. Mbuyelwa- Bewu</i>	<i>Councillor</i>

Name	Designation / Representing
<i>Hon. B. Sobhayi</i>	<i>Councillor</i>
<i>Hon. S. Sophaqa</i>	<i>Councillor</i>
<i>Hon M. Magadla</i>	<i>Councillor</i>
<i>Nkosi D. Moshoeshoe</i>	<i>Traditional Leader</i>

The MFMA assumes a separation between councillors serving on the executive (i.e. mayoral committee) and non-executive councillors.

This separation is vital to ensure that council maintains oversight for the performance of specific responsibilities and delegated powers to the Executive Mayor or executive mayoral committee.

3. CONSULTATION PROCESS

The community/ public of Alfred Nzo District Municipality was advised through Public notices in the social media on **24 March 2022** of the availability of the Annual Report and was invited to submit representations/ comments on the report and to invite them to attend MPAC meetings with an attached schedule of MPAC visits to submit verbal and written representations.

There were no written submissions received by ANDM MPAC from the public thus far.

4. LIST OF DEPARTMENTS/UNITS ASSIGNED TO APPEAR

BEFORE THE COMMITTEE

Below is the list of Departments/units that have been subpoenaed and responded to appear before the MPAC for purposes of providing clarity to the annual report.

- Office of the Municipal Manager

- Budget and Treasury Office
- Alfred Nzo Development Agency

5 SUMMARY OF COMMENTS ON THE ANNUAL REPORT

5.1. ANDM ANNUAL PERFORMANCE REPORT

It was reported that National Treasury issued circular No 63 which guides Municipalities and Municipal Entities on process required for credible annual report. The Annual Report template/ format was introduced by National Treasury and it was essential to note that the Alfred Nzo District Municipality had structured the annual report as such. The committee visited a sample of the projects contained in the Alfred Nzo District Municipality Annual Report 2020/2021 to do verifications. Due to time constraints and the fact that the committee has just commenced with its work, the public consultations were still ongoing at the time of submission of this report to members of council.

5.1.1 Infrastructure Development Services

The MPAC members visited the following projects, Winnie Madikizela Mandela *MWIG* at Langaletu Village, Ward 21; and the following stakeholders were invited:

- Alfred Nzo District Municipality Municipal Public Accounts Committee Members;
- Mbizana Local Municipality Municipal Public Accounts Committee;
- Speakers;
- Ward Councillors;
- Ward Committees;
- PSC Members;

6. THE PROCESS UNDERTAKEN BY THE MPAC TO VERIFY DETAIL ON THE ANNUAL REPORT

The committee convened on Wednesday the 23rd March 2022 to scrutinize the *ANDM Annual Report for 2020/2021* Financial Year that was tabled in the full council.

The Municipal Manager was extended an invitation and he delegated Mr. Vakalisa, IDP Manager to respond to the questions posed by the committee. No apology nor delegated person was in attendance from the entity.

6.1. DELIBERATIONS BY THE COMMITTEE

The municipality had an average performance for the financial year. The Auditor General focused its auditing on one key performance area which is the "Basic Service Delivery and Infrastructure Development". Six qualifying matters were picked up on the municipality's performance systems and those need to be the focus of management and the executive for this current financial year.

The issues of concern include the:

- non sitting of bid committees timeously leading to delays in expenditure
- the outputs that do not align with the portfolio of evidence submitted.
- The 30 day turnaround time for paying the creditors' that is not complied with. It means the municipality is contributing negatively to the development of its SMME's.
- Lack of consequence management when dealing with Irregular, Unauthorized and Wasteful expenditure.
- The underspending of conditional grants with no consequences.

The municipality is grant dependent with low revenue base and has a high rate of infrastructure backlogs.

Water Backlogs: 32% and this percentage applies to 195 976 households.

Sanitation backlogs 29% and this percentage applies to 195 976 households.

ANDM water services backlogs are relatively high. Some backlogs are due to reverse backlogs which emanate from population growth and growing need for development and basic services.

The water infrastructure that is aging and dilapidated are budgeted under refurbishment of water infrastructure. The projected budget for refurbishment for year 1 is R10 000 000.

6.1.1 ALFRED NZO DISTRICT MUNICIPALITY OVERALL PERFORMANCE

The performance of the municipality was at 62% at the time of the end of the financial year.

The municipality has received an UNQUALIFIED audit opinion which the committee commends, with the following emphasis of matter:

- Irregular expenditure incurred during the period
- Material Water Losses
- Material Adjustments made to the Opening Balances
- Unauthorized Expenditure

The committee recommends that the municipality needs to craft its own plan of action and integrate it to the Audit action plan so as to address these matters if it is to have a clean audit.

6.2. ANDA ANNUAL PERFORMANCE

The management of the entity did not attend the meeting of the committee despite being invited and therefore there were limitations on the information provided. The committee was forced to analyse the information on the Annual Report tabled to council. According to the Annual Report the performance of the entity was generally fair. The entity needs to source funding outside the municipality and improve monitoring and publicity of its services.

7. RECOMMENDATIONS AND STATEMENT

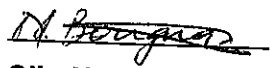
It is therefore Recommended that:

1. The Council having fully considered the annual report for the district municipality and comments thereon, **ADOPTS** the oversight report; and

2. The Council **APPROVES** the annual report tabled to council and take the recommendations of the committee.

3. That the Council notes the Municipal Public Accounts Committee recommendation that the annual report in respect of the entity be adopted without reservations.

Signed:



Cllr. N. Bongwana
Chairperson (MPAC)

31/03/2022
Date