

# ANNEXURE “A”

## OVERSIGHT REPORT: 2018-2019

### MPAC MEMBERS:

**Chairperson: Cllr J Du Toit**

Cllr W Harries

Cllr E Stroebe

Cllr M Draghoender

Cllr J Fry

Cllr D Wessels

Cllr GJ van Niekerk

Cllr H Ingo

Cllr L Langa

Cllr P van der Hoven

Cllr P Louw



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# FOREWORD BY THE CHAIRPERSON

The Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council with regard to the Annual Report and the preparation of an Oversight Report. Given the processes required by Council to effectively undertake its oversight role, the establishment of MPAC of Council provides the appropriate mechanism through which Council fulfils its oversight responsibilities.

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 (Mayor and Executive Committee) 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 (Mayor/Executive Committee). In other words, in exchange for the powers in which Council has 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 Municipal Finance Management Act, No.56 of 2003 (MFMA) vests in Council specific powers of approval and oversight.
- Approval of budgets;
- Approval of Budget related Policies; and
- Review of the Annual Report and adoption of the Oversight Report

The MPAC's primary role is to consider the Annual Report, receive input from the various role players and to prepare a draft Oversight Report for consideration by Council. On 30 January 2020, Council considered the draft 2018/2019 Annual Report of George Municipality and referred the Report to the Municipal Public Accounts Committee for further consideration and evaluation as well as the preparation of this Oversight Report.

The process that was followed for the consideration and evaluation of the 2018/2019 Annual Report can be summarised as follows:

<b>DELIVERABLE AND PROCESS MANAGEMENT</b>	<b>DATE</b>
Tabling of the Annual Report 2018/2019 in terms of Section 127(2) of the MFMA	30 January 2020
Tabled Annual Report submitted to AG, Provincial Treasury, Provincial Local Government	05 February 2020
Annual Report 2018/2019 made public in terms of Section 127(5) of the MFMA	06 February – 06 March 2020
Memorandum from the MPAC Chairperson inviting all Directorates, Councillors, Ward Committee members including the Chairperson of the Audit Committee to a MPAC information session on the Annual Report 2018/2019 (See Annexure "B")	04 February 2020
Municipal Public Accounts Committee meeting to consider and evaluate the 2018/2019 Annual Report (MPAC interacts with the Municipal Manager, Directors)	10 -11 February 2020
Municipal Public Accounts Committee meeting to consider and evaluate the 2018/2019 Annual Report (MPAC interacts with the Municipal Manager, Directors and Ward Committees)	12 February 2020

**DELIVERABLE AND PROCESS MANAGEMENT****DATE**

Municipal Public Account Committee meets to finalise the oversight process of the Annual Report

04 March 2020


**In Conclusion**

The MPAC commends Council, the Municipal Manager, the Senior Managers and all staff at George Municipality on the strides made towards good governance. However, there is great room for improvement with regard to:

- ❖ Improvement of internal controls to ensure that issues raised by both internal and external auditors are addressed effectively.
- ❖ Improvement of key controls to ensure effective:
  - Financial Management;
  - Contract and Procurement Management;
  - Compliance Management;
  - HR Management; and
  - IT Management.

MPAC prepared this Oversight Report, taking into consideration, the views and inputs of the public, representatives of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

Finally, I would like to commend my fellow Municipal Public Accounts Committee members for their hard work and commitment. I would also like to thank the administration for their support in the Oversight process. A word of thanks must also be given to the Office of the Auditor-



*"It is not the function of our Government to keep the citizen from falling into error; it is the function of the citizen to keep the Government from falling into error."*

**— Robert H. Jackson**

General and the Performance Audit Committee for their input in the 2018/2019 Annual Report and oversight process.

**COUNCILLOR J DUTOIT**  
**CHAIRPERSON**



## 1. Statement of Purpose of the Municipal Public Accounts Committee

The Municipal Finance Management Act and Municipal Systems Act recognise that Council has a critical role to play to ensure better performance by municipal departments and entities. There now exists an explicit linkage between the strategic goals, set by Council through the IDP, which are translated into the budget, and the delivery of those goals which is reported in the Annual Report.

It is important for Council to ensure that the budget gives effect or expression to priorities contained in the IDP. A good budget will lay basis for better oversight and cement the contracts between the Executive/Council, the administration and public.

It is imperative to understand the accountability framework for municipalities in order to correctly understand the role of the Oversight Report as distinct from that of the Annual Report and any other reports required from the Municipality.

The following table displays the nature of the accountability framework for local government:

	Responsible for	Oversight over	Accountable to
<b>Council</b>	Approving policy and budget	Executive Mayor	Community
<b>Executive Mayor</b>	Policy, budgets, outcomes. management of / oversight over municipal manager	Municipal Manager	Council
<b>Municipal Manager</b>	Outputs and Implementation	The Administration	Executive Mayor
<b>Chief Financial Officer and Senior Managers</b>	Outputs and Implementation	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 Finance Management Act requires the 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 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.

The Oversight Report is a separate product from the Annual Report. The Annual Report is submitted to the Council by the Accounting Officer and the Executive Mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving objectives and goals set by the Municipality in the relevant financial year.

The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the Municipal Council to the community disclosing the level of

success or otherwise, obtained with meeting the priority needs and desires of the community as contained in the IDP.

## 2. Process Followed

On 30 January 2020, Council referred the 2018/2019 Annual Report to the Municipal Public Accounts Committee (MPAC), which performs the function of an Oversight Committee. The MPAC consists of the following Councillors:

- **Chairperson: Cllr J Du Toit**
- Deputy Chairperson: Cllr W Harris
- Cllr E Stroebel
- Cllr M Draghoender
- Cllr J Fry
- Cllr D Wessels
- Cllr GJ van Niekerk
- Cllr H Ingo
- Cllr L Langa
- Cllr P van der Hoven
- Cllr P Louw

The Committee based its work on the following documents:

- 2017/2018 Annual Report
- MFMA, 2003
- National Treasury's Circular 32 – The Oversight Report
- National Treasury's Circulars 11 and 63 – The Annual Report.

Immediately after the Annual Report was tabled in Council, the Municipal Manager in accordance with Section 21 A of the MSA made the Annual Report public.

The 2018/2019 Annual Report was uploaded on the municipal website, also made available in the Office of the Acting Manager: IDP, PMS & Public Participation, all area offices and all municipal libraries. An advertisement was placed in the George Herald and on George Municipality's website respectively, inviting members of the public to submit written comments or representations in connection with the Annual Report for the 2018/2019 financial year.

At the closing date (6 March 2020) no written comments were received from the community. In addition to the above Section 21A (of the MSA) process, an information session was scheduled by MPAC with all Directors, Councillors, Ward Committees including the Chairperson of the Audit Committee where the consideration and evaluation of the Annual Report 2018/2019 was deliberated upon. The information session allowed for questions and answers where Directors gave immediate responses to questions asked (see Minutes attached as **Annexure "C"**). The municipality received written comments from the Provincial Department of Treasury which is attached as **Annexure "D"**.

### 3. Comments and Departmental Responses On 2018/2019 Annual Report

Comments received post tabling of the 2018/2019 Annual Report:

No	Page	Comment	DEPARTMENT'S RESPONSE
1	Pg85	4 <sup>th</sup> row, second column 'COM023/2018 should be replaced with COM016/2018'.	<b>PMS Office</b> Corrected
2	Pg91	2.10 By-laws and Policies: remove "and Bylaw" next to Property Rates Policy	<b>PMS Office</b> Corrected
3	Pg267	Inclusion of Appendix D	<b>PMS Office</b> Included
4		Inclusion of Appendix E	<b>PMS Office</b> Included
5	Pg268	Inclusion of Appendix F	<b>PMS Office</b> Included
6		Inclusion of Appendix G	<b>PMS Office</b> Included
7	Pg271	Inclusion of Appendix I	<b>PMS Office</b> Included
8		Inclusion of Appendix K	<b>PMS Office</b> Included

### 4. Summary of Comments, Recommendations and Conclusions on the Annual Report 2018/2019

The 2018/2019 Annual Report reflects a substantial and positive improvement in George Municipality's annual planning, budgeting and reporting processes. It is a significant improvement over the previous years' Annual report. The Annual Report complies with the requirements of the MFMA and National Treasury's guidelines for annual reports. It is further noted that the required information in terms of the MFMA is included. More specifically, the 2018/2019 Annual Report contains *inter alia*:

- the annual financial statements;
- Auditor-General's audit report;
- the annual performance report of the Municipality and
- recommendations of the Municipality's Audit Committee.

Innovative public participation strategies must be explored to improve the manner in which the Annual Report is communicated to the public in future. The 2018/2019 Annual Report as tabled in Council on 30 January 2020 is revised in accordance with the comments made / received from various role-players during the oversight process.

Section 129(1) of the MFMA stipulates that the Council of a Municipality must consider the annual report of the Municipality by no later than two months from the date on which the annual report was tabled in 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.

After evaluating the content of the Annual Report and taking into consideration all comments and deliberations at the MPAC meetings (see MPAC Minutes attached as **Annexure "C"**), it is recommended that the Annual Report be adopted without reservations, but that Council should comprehensively note all comments by the MPAC including all the minutes of meetings held.

## **5. Recommendations to Council**

Council having fully considered the George Municipality's 2017/2018 Annual Report, resolves that:

- (a) The Oversight Report on the 2018/2019 Annual Report as Annexure **"A" BE ADOPTED**;
- (b) The revised 2018/2019 Annual Report attached as **Annexure "F" BE APPROVED** without reservations;
- (c) The Oversight Report on the 2017/2018 Annual Report be made public in accordance with Section 129(3) of the Local Government: Municipal Finance Management Act, No.56 of 2003;
- (d) the Oversight Report on the 2017/2018 Annual Report **BE SUBMITTED** to the Provincial Legislature in accordance with Section 132(2) of the Local Government: Municipal Finance Management Act, No. 56 of 2003.



