

# MPAC OVERSIGHT REPORT 2017/2016

## REPORT FROM THE CHAIRPERSON OF MPAC

### 1. INTRODUCTION

Section 129 of the MFMA requires the Municipal Council to consider the Annual Report of its municipality and municipal entities and to adopt an Oversight Report containing the Municipal Council's comments on each Annual Report.

The Oversight report is a report of the Municipal Council and follows consideration and consultation on the Annual Report by the Council itself.

The purpose of the Annual Report is:

- To provide a record of the activities of the municipality or entity;
- To provide a report on 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 local community for decisions 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) (Act. 58 / 2003) and the Municipal Systems Act (MSA) (Act 32/2000).

### 2. The Municipal Public Accounts Committee (MPAC)

The Municipal Council resolved, at its meeting of 31 January 2018 (Item C/1/58/01/18) as follows:

“

- 1) That cognizance be taken of the 2016/2017 Draft Annual Report, as amended, and the timeframes related to the adoption and publication thereof;
- 2) **That the Draft Annual Report be submitted to MPAC in order to consider and evaluate the 2016/2017 Draft Annual Report to provide a detailed analysis and review thereof, and to submit an Oversight Report to Council by 31 March 2018;**

- 3) That the 2016/2017 Draft Annual Report be submitted to the Office of the Auditor General, Provincial Treasury and the relevant Provincial Department responsible for Local Government;
- 4) That the Accounting Officer publishes the 2016/2017 Draft Annual Report for public comments and recommendations;
- 5) That the ward demarcation for Green Valley be changed from Ward 1 to Ward 7, as from the inception of the new Council in August 2017. "

The Municipal Public Accounts Committee should therefore review, consider and evaluate the contents of the Draft Annual Report and submit an Oversight Report to Council by 31 March 2018.

The Municipal Public Accounts Committee (MPAC) who had reviewed and evaluated the Draft Annual Report at 13:00 on 20 March 2018 consisted of the following members:

Cllr D.J. Swart (Chairperson)  
Alderman E. V. Wildeman  
Cllr M. M. Mbali  
Cllr A. S. M. Windvogel (Absent)

The following officials assisted the committee with technical advice:

Mr. J. Douglas – Acting Municipal Manager  
Mr V. B. Mkhafa – Chief Financial Officer  
Mr. A. Sakati – Acting HOD Community Services  
Mr. C. Basson – Acting HOD Strategic Services  
Ms. A. Greyling – Acting HOD Corporate Services  
Mr. P. Harpestad – Acting HOD Engineering Services  
Ms. P. Croutz – Acting Chief Executive Internal Audit  
Mr. G. J. Groenewald – Strategic Manager: Office of the Municipal Manager

### **3. Consultation Process: Annual Report 2016/2017**

The availability of the 2016/2017 Draft Annual Report was published in the printed media (Notice number 30/2018) on 08 February 2018 as well as on the Municipal Website and Municipal notice boards where interested parties / public was invited to comment on the Draft Annual Report. The closing date for comments was determined as 09 March 2018.

Copies of the Draft Annual Report were also made available at the following Municipal locations:

- Municipal Office, Sewell Street, Plettenberg Bay
- Green Valley Library, Wittedrift
- Kurland Library, The Craggs
- Municipal Office, Natures Valley



- Municipal Offices, Qolweni,
- Public Library, Melvilles Corner, Plettenberg Bay
- New Horizons Library, Saringa Street, New Horizons
- Kranshoek Library, Kranshoek
- Kwanokuthula Library, Kwanokuthula

The Annual Report was further submitted to the Auditor General and Western Cape Government: Provincial Treasury as required by legislation.

#### 4. Comments received

Comments were received from the Office of the Auditor General and Western Cape Government: Provincial Treasury ,

The only comments received from the public was from Ms. D. Nicholson.

#### 5. Notice of MPAC meeting

Notice of the time and date of the MPAC meeting was placed on the municipal website on 12 March 2018 and also published in the printed media (Notice No. 79/2018) on 15 March 2018.

No.	Comments
<b>6</b>	<b>Summary of Comments on the 2016/2017 Draft Annual Report</b>
<b>6.1</b>	<b>Comments from the Western Cape Government: Provincial Treasury</b>
6.1.1	<b>Executive Mayor's Foreword</b> The Executive Mayor's foreword should have details / specifics with regard to various topics to be covered as per MFMA Circular 63.
6.1.2	<b>Municipal Manager's Foreword</b>  The Municipal Manager's foreword should have details / specifics with regard to various topics to be covered as per MFMA Circular 63.
6.1.3	<b>Conclusion: Report from Provincial Treasury</b>  Note is taken that according to the Provincial Treasury, the "Draft Annual Report" is reasonably in line with the requirements of sections 121 and sections 127 of the MFMA and mostly adhere to the prescribed format as per MFMA Circular 63, except for the shortcomings that have been identified above.  <b>Recommendation by MPAC</b>  That note be taken of the comments received from the Western Cape Government, Provincial Treasury.
<b>6.2</b>	<b>Comments from the Auditor General</b>

	<p><b>Recommendation by MPAC:</b></p> <p>Note is taken of the comments from the Auditor General, as well as the fact that the corrections to the “Draft Annual Report” will be corrected.</p>
<b>6.3</b>	<b>Comments from the public: Ms. D. Nicholson</b>
	<p><b>Recommendation by MPAC:</b></p> <p>To classify the comments of the member of the public in two categories, namely:</p> <ul style="list-style-type: none"> <li>• Comments that may affect the Annual Report</li> </ul> <p>Note is taken from the administration that where necessary the amendments to the report will be made.</p> <ul style="list-style-type: none"> <li>• General comments</li> </ul> <p style="padding-left: 40px;">These comments will be addressed by MPAC at the next MPAC meeting.</p>
<b>6.4</b>	<b>MPAC Comments</b>
6.4.1	<p>The Committee would like to express serious concerns regarding the limited time frame allowed to review the Draft Annual Report;</p> <p><b>Recommendation by MPAC:</b></p> <p>That Management should obtain information from the various Departments by 31 December every year, to ensure that the Draft Annual Report is available at least by 31 January to be reviewed.</p>
6.4.2	<p>The Committee would also like to express serious concerns regarding the accuracy, quality and completeness of the information submitted in general to compile the Draft Annual Report;</p> <p><b>Recommendation by MPAC:</b></p> <p>That management should ensure that the information submit for the purpose of the compilation of the Annual Report is correct and complete.</p>
6.4.3	<p><b>Page 7:</b> Foreword Mayor – Liquidity ratios incorrect (Matter corrected)</p> <p><b>Recommendation by MPAC:</b></p> <p>That the liquidity ratios be confirmed as correct.</p>



6.4.4	<p><b>Page 7:</b> Foreword Mayor - Serious concerns expressed by the Committee because the ratio has decreased. The Committee requires a comprehensive report on the matter.</p> <p><b>Recommendation by MPAC:</b></p> <p>That a comprehensive report be submitted to MPAC by the CFO regarding the matter and be submitted for the next MPAC meeting during April 2018.</p>
6.4.5	<p><b>Page 12:</b> Population figure incorrectly – should be 59157 (AR amended);</p> <p><b>Recommendation by MPAC:</b></p> <p>That the figure be corrected.</p>
6.4.6	<p><b>Page 16:</b> Wards reflected incorrectly (Matter corrected);</p> <p><b>Recommendation by MPAC:</b></p> <p>That the matter be confirmed as corrected.</p>
6.4.7	<p><b>Page 30: Gender of Executive Mayor not reflected</b></p> <p><b>Recommendation by MPAC:</b></p> <p>That the matter be corrected.</p>
6.4.8	<p><b>Page 37: Amount of ward committee meetings to be verified;</b></p> <p><b>Recommendation by MPAC:</b></p> <p>That the matter be corrected if necessary.</p>
6.4.9	<p><b>Page 77:</b> The committee expresses concerns about the high vacancy rate as well as the increase in the injury on duty cases. A report from HR is required in this regard.);</p> <p><b>Recommendation by MPAC:</b></p> <p>That the Senior Manager: Human Resources submit a comprehensive report to MPAC for discussion at the next MPAC meeting during April 2018.</p>
6.4.10	<p>The total expenditure and personnel cost figures on page 150 of the Annual Report and that recorded in the AFS on page 4 differ.</p> <p><b>Recommendation by MPAC:</b></p> <p>That the matter be corrected.</p>

6.4.11	<p>Small Boat Harbor Project: The Committee requires a comprehensive report on Status of the project.</p> <p><b>Recommendation by MPAC:</b></p> <p>That a comprehensive report be submitted to MPAC by the responsible Departments for discussion during the MPAC meeting scheduled for April 2018.</p>
6.4.12	<p>The Committee would like to express its concern regarding the amount of employees in acting positions, more specifically in senior positions, which have to have a severe negative effect on the quality of leadership in the institution.</p> <p><b>Recommendation by MPAC:</b></p> <p>That a comprehensive report, with specific reference to the vacant senior positions in the institution as well as the status of the recruitment and selection processes, be submitted to MPAC for discussion at the next MPAC meeting which is scheduled for April 2018.</p>
<b>7</b>	<b>Auditor General's Report 2016/2017</b>
	<p>Note is taken of the report of the Auditor General for the 2016/2017 financial year. It is noted with disappointment that the municipality has regressed from an Unqualified without findings ("clean audit report") classification to an Unqualified with findings classification.</p> <p><b>Recommendation by MPAC:</b></p> <p>The committee is of the opinion that the matters that affected the classification of the report, namely Supply Chain Management activities and Irregular Expenditure matters should be seriously addressed by management.</p> <p>A report is requested from the CFO detailing the progress made to address the abovementioned matters, for the MPAC meeting to be held during April 2018</p>
<b>8</b>	<b>Annual Performance Report</b>
	<p><b>Recommendation by MPAC:</b></p> <p>That note be taken of the Annual Performance Report.</p>
<b>9</b>	<b>Annual Financial Statements 2016/2017</b>
	<p>Note is taken of the Annual Financial Statements in respect of the 2016/2017 financial year. The Committee would like to comment on the following:</p>
9.1	<p>The liquidity position of the municipality at 30 June 2017 in comparison with the position at 30 June 2016 is a matter of concern;</p>



	<p><b>Recommendation by MPAC:</b></p> <p>That a comprehensive report be submitted to MPAC by the CFO regarding the matter and be submitted for the next MPAC meeting during April 2018.</p>
9.2	<p>The status of the debtors of the municipality at 30 June 2017 in comparison with the position at 30 June 2016 is a matter of concern;</p> <p><b>Recommendation by MPAC:</b></p> <p>That a comprehensive report be submitted to MPAC by the CFO regarding the matter and be submitted for the next MPAC meeting during April 2018</p>
9.3	<p>The magnitude and increase of Irregular Expenditure reflected in the AFS is unacceptable and should be seriously addressed.</p> <p><b>Recommendation by MPAC:</b></p> <p>Every amount - disclosure should be investigated and this should be referred to MPAC;</p>
9.4	<p>The current status of every case where contingent liabilities and contingent Assets are reflected should be reported on.</p> <p><b>Recommendation by MPAC:</b></p> <p>That a comprehensive report be submitted to MPAC by the Manager: Legal Services regarding the matter and be submitted for the next MPAC meeting during April 2018</p>
9.5	<p>That lack of comparison and detail of "repairs and maintenance" reflected in the AFS is a matter of concern.</p> <p><b>Recommendation by MPAC:</b></p> <p>That a comprehensive report be submitted to MPAC by the Manager: Legal Services regarding the matter and be submitted for the next MPAC meeting during April 2018</p>
<b>10</b>	<b>Reservations</b>
10.1	<p>The Internal Audit Section has still to confirm the correctness of the Amended Draft Annual Report.</p>

## Recommendations

- That the 2016/2017 Annual Report be adopted with reservations;
- That the Oversight Report be made public by the Municipal Manager in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act, 2003;
- That the Oversight Report and Annual Report 2016/2017, be submitted to the provincial legislature by the Municipal Manager in accordance with section 132 (2) of the Local Government: Municipal Finance Management Act, 2003;
- That the classification, validation and recoverability of unauthorized, irregular and fruitless and wasteful expenditure as reflected in the Annual Financial Statements 2016/2017, be determined by the Municipal Public Accounts Committee in terms of section 32 of the Local Government: Municipal Finance Management Act, 2003 and that a report in this regard be submitted to the Municipal Council for consideration;
- That the Council should request the Executive Mayor to report to Council on the progress made with of corrective actions contained in the report.