



*MUNICIPAL PUBLIC
ACCOUNTS COMMITTEE
OVERSIGHT REPORT FOR
2020/21*

MPAC CHAIRPERSON: CLLR MPH0.I. MOKOAKOA



MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

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FOREWORD BY THE CHAIRPERSON: CLLR MPHO .I. MOKOAKOA



Honourable Speaker, honourable councillors, ladies and gentlemen of our administrative executives, good morning to you all.

Speaker, it is my pleasure to present to this august House, the oversight report of (MPAC) on 2020/2021 Annual Performance Report of Mangaung Metropolitan Municipality (MMM). I would also like to indicate again to this council that this report is tabled by MPAC to fulfil its obligations in terms of the provisions of the Municipal Structures Act 117 of 1998 and the Municipal Finance Management Act 56 of 2003 regarding the exercise of oversight.

My presentation of this oversight report is a tribute in acknowledgement of the legacy left behind by the late Cde Yasmin 'Jessie' Duarte- a comrade and most definitely one of the greatest leaders that our beloved country has ever produced. Her untimely death on the 17th of July 2022 robbed the nation a humbled servant leader. Cde Jessie's life embodied the values of servant leadership, placing the people at the centre in the pursuit of the goals of building a united, non-racial, non-sexist, prosperous and democratic society founded on equality and human rights for all. She mobilised and embedded herself within communities to advance the struggles for women, the youth and all other marginalised sectors of society. Honourable councillors I humbly implore all of us to honour the memory of late Cde Yasmin 'Jessie' Duarte "by continuing the struggle for a better life for all, for which she committed her entire life, let us all strive to honour her life by doing everything in our means, sparing neither strength nor courage, to achieve the free, united and equal society for which she so gallantly

fought". May the soul of this great fighter "rest in eternal peace", and may her legacy live on!

As we celebrate International Women's month, allow me Speaker to borrow the words of a Marxist revolutionary, a pan-Africanist, a son of Africa who served as President of Burkina Faso. Mr Thomas Isidore Noël Sankara when he said "***The revolution and women's liberation go together. We do not talk of women's emancipation as an act of charity or out of a surge of human compassion. It is a basic necessity for the revolution to triumph. Women hold up the other half of the sky.***"

Similarly, Dr Nelson Rolihlahla Mandela, the South African anti-apartheid activist who served as the country's first black head of state and the first elected in a fully representative democratic election. In 1996, he gave a compelling speech on South Africa's Women's Day, calling for full equality and an end to sexual violence against women. Not blind to the challenges ahead, he remarked: "***As long as women are bound by poverty and as long as they are looked down upon, human rights will lack substance.***" By working together, by refusing to submit, we will achieve true gender equality, we must eradicate all forms of gender-based violence. Violence against women, children, gender non-conforming persons and members of the LGBTQI+ community threatens the very foundations of our democracy.

Women's Month is important. It's a tribute to the sacrifices of all great women—in our lives, and throughout history. Exactly 66 years ago this year, 20,000 South African women from all walks of life and various parts of the country marched to the Union Buildings to demand an end to the dehumanising pass laws. Despite the dangers of challenging apartheid authorities, they asserted their worth as human beings and refused to be relegated to the margins of history in their own country. We salute the courage of this generation and its leaders, among them Lilian Ngoyi, Rahima Moosa, Helen Joseph, Sophie De Bruyn, Albertina Sisulu, Bertha Gxowa, Motlalepula Chabaku and many others.

Speaker, with that said we therefore, congratulate Supreme Court of Appeal (SCA) Judge President Mandisa Maya on her appointment as the first black female to serve as the Deputy Chief Justice of the Constitutional Court.

If you will allow me Speaker, let me also congratulate Banyana-Banyana for their historic victory in the African football scene, their historic achievement is very inspirational to the youth, and South Africa as whole. Once again congratulations and well done to Banyana-Banyana for bringing home the Women's Africa Cup of Nations (WAFCON), we are truly inspired and proud as the nation.

Speaker, the National Cabinet, through Minister of Finance Mr Enoch Godongwana and Minister of Corporative Governance Dr Nkosazana Dlamini-Zuma, resolved amongst other issues to put Mangaung under Section 139(7) of the Constitution of the Republic of South Africa Act, 1996 ("the Constitution") read with Section 150 of Municipal Finance Management Act; to assume the responsibility to implement the financial recovery plan.

We also welcome the appointment of the National Intervention Team led by Cabinet Representative Mr Paul Maseko together with the multidisciplinary team of experts in governance, financial management, service delivery and institutional pillars of municipal sustainability. As council we must ensure that the National Cabinet Representative and Intervention Support Team/Experts execute the implementation of the financial recovery plan in line with their Terms of Reference (Government Gazette No: 46287)

Speaker, during the year under review, the city has achieved an unqualified audit outcome with findings. The Auditor-General has indicated that there has been an improvement in the audit outcome over the last five financial years, although there are recurrent matters that require urgent intervention During the oversight process MPAC placed its emphasis on matters relating to credible financial reporting, credible performance reporting, compliance with legislation, governance and internal controls as well as unauthorised, irregular fruitless and wasteful expenditure.

The MPAC remains committed to building a clean, effective, efficient, responsive and accountable municipality through good governance and transparency by ensuring value for money in the use of municipal resources. Speaker, I therefore present to the council the 2020/21 MPAC oversight report herewith.

1. INTRODUCTION

In accordance with the provisions of Section 79(1)(a) and (b) of the Municipal Structures Act 117 of 1998, Municipal Public Accounts Committee (MPAC) has been established by the municipal council necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers. They are suited to providing oversight over the executive and the administration.

Oversight ensures that the executive complies with the intent of the legislature and does not behave in a manner that allows maladministration, inefficiency, waste or corrupt practices. Strong oversight promotes accountability in the sense that those whose actions and performance is monitored by a legitimate oversight body, are more likely to feel obliged to justify their actions.

The Municipal System Act 32 of 2000 (section 59(1)) prescribes that a municipal council must develop a system of delegation that will maximise administrative and operational efficiency and provide for adequate checks and balances. Section 121 of the Municipal Finance Management Act 2003 as well as the National Treasury MFMA Circular No 32, further provides that a municipality and its municipal entity must prepare annual performance reports which serve the following purposes:

- i) to provide a record of activities of the municipality or entity;
- ii) to provide a report on performance in service delivery and budget implementation for the financial year;
- iii) to provide information that supports the revenue and expenditure decisions made; and
- iv) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity;

The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its municipality and municipal entity under the municipality's sole or shared control; and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, and to adopt an "oversight report"

containing the council's comments on each annual report which 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 2020/21 Mangaung Metropolitan Municipality Annual report includes the following key components:

- Annual performance report evaluating the year's performance against the performance objectives established in the Integrated Development Plan (IDP), Budget and Service Delivery and Budget Implementation Plans (SDBIPs);
- Annual Financial Statements (AFS), Auditor-General's audit report on the AFS; and
- Other disclosures as required by sections 121,123,124 and 125 of the MFMA

The assessment of the annual report is that of a backward-looking nature, annual report is aimed at providing an account of a municipality's activities in line with the approved budget.

The core of MPAC's functions are to contribute towards good governance of the municipality. Through its review of the annual report and various other reports, MPAC contribute to governance by providing assurance (on behalf of Council) on various issues pertinent to the Municipality and specifically the administration of the municipality.

2. MPAC PUBLIC PARTICIPATIONS/HEARINGS

Section 130 of the MFMA stipulates that public participation must be a central element of all processes relating to an Annual Report. Public hearings are an important activity in the life of a municipality. They allow public participation in how municipal finances have been spent. The local community was invited to submit representations in connection with the annual report as prescribed section 127(5)(a)(ii) through print media. It is unfortunate in the year under review that these public hearings could not

be held due to stringent promulgated national COVID 19 regulations. However, the annual report 2020/21 documents were distributed and made available to public in various municipal offices e.g. Leslie Monnanyane Building, Mangaung Libraries, Botshabelo and Thaba-Nchu Municipal Offices. The advertisements that were placed in the Courant and Issue local newspapers are attached as **Annexure A**. No submissions from the local community were received.

3. MEETINGS HELD TO CONSIDER 2020/2021 ANNUAL REPORT

Meeting was convened as follows:

MEETING	DATE	TYPE OF MEETING
First meeting	05/07/2022	Auditor General South Africa meeting with MPAC to present the Auditor General's Audit outcomes for Financial Year 2020/2021 SEE ANNEXURE B
Second Meeting	19/07/2022	Consideration of draft questions of Mangaung and Centlec SEE ANNEXURE C
Third Meeting	10/08/2022	Tabling of responses to questions emanating from 2020/21 Annual Report by CEO Centlec SEE ANNEXURE D
Fourth Meeting	12/08/2022	Tabling of responses to questions emanating from 2020/21 Annual Report by ACM SEE ANNEXURE E
Fifth Meeting	16/08/2022	Consideration of draft 2020/21 Oversight Report SEE ANNEXURE F
Sixth Meeting	22/08/2022	Consideration of final 2020/21 Oversight Report SEE ANNEXURE G

Seventh Meeting	25/08/2022	Consideration of final set of minutes 2020/21 Oversight Report SEE ANNEXURE H
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4. QUESTIONS AND RESPONSES EMANATING FROM 2020/21 ANNUAL REPORT

Section 129(2)(a) of the Municipal Finance Management Act 56 of 2003 states that the accounting officer must attend committee meetings where the annual report is discussed, particularly for the purpose of responding to questions concerning the report. In line with the above provision the questions that emanated from the Annual Report for the year under review were delivered to and received by the Office of the Acting City Manager and CEO for Centlec on the 21st July 2022 and the meeting at which responses were tabled was convened as follows:

TYPE OF A MEETING	DATE AND VENUE	SUMMARY AND OUTCOME
Responses and considerations to questions emanating from annual report 2020/21	Wednesday, 10 th August 2022, MMM Indaba Auditorium	CEO Centlec tabled responses to questions emanating from the annual report. SEE ANNEXURE I
Responses and considerations to questions emanating from annual report 2020/21	Friday, 12 th August 2022, MMM Indaba Auditorium	Acting City Manager tabled responses to questions emanating from the annual report. SEE ANNEXURE J

5. CHALLENGES AND PROPOSED SOLUTIONS

The table below indicates challenges faced and noted by the committee during the oversight process to which proposed solutions are provided.

CHALLENGES	PROPOSED SOLUTIONS
<p>1. Non-Compliance to provisions of the MFMA Section 129(1), for the tabling of the 2020/21 Oversight Report due to administrative delays of appointments for MPAC support staff</p>	<ul style="list-style-type: none"> ■ The acting accounting officer should expedite the recruitment process of the political staff
<p>2. Lack of consequence management for factors attributed to the cause of the lateness of the Annual Report</p>	<ul style="list-style-type: none"> ■ The MPAC performs oversight on behalf of Council and is guided by approved terms of reference. The committee’s resolutions are therefore binding and must be implemented in order to assist the process for sound financial management, good governance and accountability.
<p>3. Lack of implementation of the MPAC’s resolutions set out in the 2019/20 oversight report</p>	<ul style="list-style-type: none"> ■ Council resolutions are binding and must be implemented. Reports must be submitted timeously to the MPAC in line with the deadlines set so as to allow sufficient time for MPAC to perform Oversight.

6. KEY FOCAL AREAS THAT REQUIRE INTERVENTION

The Auditor General has indicated that there has been much improvement over the past five financial years although there are still matters of concern that need to be addressed as matter of urgency. The municipality has to strategically implement it’s audit action plan in order to do away with repeat findings that have now consequently led to the city being placed under section 139 (7) of the Constitution. The stagnation that has been reflected in the AG’s report has translated in the city not being able to provide basic service delivery. Therefore, urgent interventions, formulation internal controls and the implementation any rigorous corrective measures from the political

and administrative leadership of the City are needed to dynamically address institutional challenges that have resulted in this alarming state of affairs.

The following are unaddressed critical risk areas which were previously identified by the Auditor General:

- Low levels of refuse collection
- Lack of accountability for sound financial management
- Lack of performance monitoring and evaluation
- Lack of consequence management
- Indigent register not updated since 2019
- Non-compliance matters related to procurement and contract management, human resource management and utilisation of conditional grants.
- Lack of standard operating procedure: Inadequate record keeping which leads to the inability to conduct performance monitoring and reporting on set targets
- No improvement with regard to the ICT environment and internal controls for municipal systems despite an MPAC resolution passed by council that the sub-directorate must be relocated
- Increased non-compliance with MFMA and Supply Chain Management Policy on payment of service providers within 30 days
- Cumulative unauthorised, irregular or fruitless and wasteful expenditure
- The lack of alignment of the organizational structure with the strategic objectives and goals of the municipality
- High vacancy rate which negatively affects the operations of the municipality
- Overspending on overtime claims
- Lack of revenue collection
- Non-implementation of MPAC Council resolutions.

The above have led to both service delivery and control environment collapse and sporadic service delivery protests experienced by the municipality recently.

7. CONCLUSION

The municipality needs to improve accountability, transparency, economical, effective and efficient use of public resources in executing municipal functions. Timely resolution of matters of non-compliance with laws and regulations would definitely assist in improving compliance with laws and regulations, also this would reduce fraud and corruption or allegations thereof, or will be sending the key message that public funds must be utilised correctly, noting that this can only be achieved by providing political and administrative guidance if the current status quo is to be reversed. Findings made by the Auditor General and recommendations made by the MPAC provide as a guide on areas where the municipality's focus should be in terms of performance. The current audit outcomes are a clear indication that findings are not taken into consideration because the city has mostly received repeat findings from its previous Audit outcomes in the past five years. The administration must also ensure that necessary internal control systems are developed across all directorates to curb the issue of non-compliance. Concentrated effort must be made to ensure that consequence management is implemented to curtail unnecessary unauthorised, irregular or fruitless and wasteful expenditure. Our institutional focus must be redirected at effectively rendering services to the people of Mangaung, using the limited resources we must achieve the IDP strategic objectives.

My thanks go to members of this Committee for their hard work and dedication during these meetings and for making sure that they are always ready and prepared to engage on matters presented before the Committee for consideration, their contribution is highly valued.

I should also indicate that, it was not easy for this Committee to conclude its work within the legislated period of two months after the annual report was tabled in Council due to delays in the appointment of the support staff for the MPAC Office and covid-19 restrictions.

Lastly let me assure the Council of Mangaung Metropolitan Municipality that we remain committed to our work, and we will continue to execute our mandate diligently and without any fear or favour.

8. RECOMMENDATIONS

Having thoroughly considered the contents of 2020/21 annual report and the findings of the Auditor General for the year under review, it is therefore recommended by the MPAC that:

8.1 Council adopt the Oversight Report;

8.2 In line with Section 129(1) Council approves the 2020/21 Annual Report with Reservations due to the unsatisfactory pace at which management is addressing risk areas/ control weaknesses mentioned under section 6 of this report;

8.3. The Accounting Officer provide the MPAC with a detailed report on the investigations that are currently underway with regard to the UIF&W for both MMM and Centlec within 14 days of the tabling of this report;

8.4. That compliance reports compiled in line with sections 52,71,72 and 88 of the MFMA be noted by Council and be handled as permanent referrals to the MPAC for further interrogation;

8.5. An audit action plan be developed to address audit findings. A progress report be submitted to the MPAC monthly;

8.6. The indigent register be updated as a matter of urgency and a report be submitted to the MPAC within 30 days of the tabling of this report;

8.7. A progress report be provided to the MPAC pertaining to the recruitment of support staff in political offices within 7 days of the tabling of this report;

8.8. The MPAC be provided with an action plan to curb overspending on overtime across all directorates within 30 days of the tabling of this report;

8.9. The Accounting Officer submit an updated risk register with mitigating risk strategies to the MPAC within 30 days of the tabling of this report;

8.10. The Accounting Officer must provide the committee with a monthly report on the recovery of debt from government departments and the top 20 businesses that owe the city for services rendered;

- 8.11. The Accounting Officer must provide the MPAC with a monthly progress report that details the ongoing negotiations with Bloemwater and resolving current disputes;
- 8.12. The National Intervention Team provide Council, through the MPAC, with a progress report on the ongoing forensic investigation on IPTN project within 60 days of the tabling of this report;
- 8.13. The Accounting Officer must ensure that a performance management system for all employees is developed and implemented. A progress report must be submitted to the MPAC within 60 days of the tabling of this report;
- 8.14. The Accounting Officer must ensure that a functional disciplinary board is properly constituted within 60 days of the tabling of this report;
- 8.15. Council must expedite the recruitment and appointment of Centlec board members within 60 days of the tabling of this report;
- 8.16. The Accounting Officer provide the MPAC with a comprehensive report regarding the status of the Zoo within 30 Days of the tabling of this report;
- 8.17. The Accounting Officer provide the MPAC with a comprehensive report regarding the status of FRESHCO within 30 Days of the tabling of this report;
- 8.18. The Accounting Officer must submit an action plan to address the challenges listed as bullet items under section 6 within 60 days of tabling of this report.

Submitted by:


Cllr Mpho .I. Mokoakoa
Chairperson: MPAC

25/07/2022
Date

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