



EXTRACT OUT OF MINUTES OF AN ORDINARY COUNCIL MEETING HELD ON 30 MARCH 2022.

C1154. OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2020/2021 FINANCIAL YEAR

Purpose:

The purpose of the report is to provide comments and recommendations to the Council on the adoption of the Annual Report for the 2020/2021 financial year.

Authority:

The Municipal Public Accounts Committee.

Legislatives/Statutory Requirements:

The Constitution of the Republic of South Africa (1996)

The Local Government: Municipal Structures Act (No. 117 of 1998)

The Local Government: Municipal System Act (No. 32 of 2000)

The Local Government: Municipal Finance Management (Act No 56 of 2003)

The Treasury Regulations Guiding AR and OR (11, 32, 63)

Background:

The Chris Hani District Municipality Executive complied with the MFMA and Treasury regulations that guide tabling of the Annual Report before council and community as the final leg in accountability cycle of the municipality, and indeed annual report for 2020/2021 financial year was tabled in Council by the Executive Mayor on the 26th of January 2022 and community respectively.

Exposition of facts:

After tabling the Draft Annual Report for 2020/2021 financial year before Council on the 26th of January 2022, the Accounting Officer made the Draft Annual Report public, and invited the public to submit comments within 21 days from the date of publication. On the 11th of February 2022, the Municipal Public Accounts Committee met and received a presentation of the Draft Annual Report for 2020/2021 financial year from the Executive Mayor in line with the guidelines as per Circular No. 11, 32 and 63 of the Treasury Regulations.



As planned in the MPAC activity plan, a three-day working session interrogating the annual report was successfully held, this culminated in a set of clarity seeking questions. Questions and issues were thus prepared, and engagements ensued between the Executive and the MPAC and responses upon were obtained.

Consistency by the Executive in submitting quarterly reports throughout the year under review made things easier for MPAC to make fair inferences on the annual report under scrutiny. MPAC, having satisfied itself with the responses received and with reference to the in-year oversight reports in place of the year under review, MPAC, finally adopted the Oversight Report on the Annual Report for 2020/2021 financial year **without reservations**, in the meeting held on the 23rd of March 2022.

Resolutions:

It was resolved that:

- 1) Council **adopts** the Oversight Report on the Annual Report of 2020/2021 financial year **without reservations**.
- 2) The Oversight Report **be made public** in terms of Section 129(3) of the MFMA.
- 3) The Oversight Report **be submitted** to the Eastern Cape Legislature in terms of Section 132(2) of the MFMA.

This is certified as a true copy of the original.

.....
MR. G. MASHIYI
MUNICIPAL MANAGER

(An official with the delegated authority to prepare the record of proceedings and implement Council resolutions).

.....
CLLR J. CENGANI
SPEAKER OF COUNCIL

(In his capacity as the Chairperson of the Council).



CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2020/2021 FINANCIAL YEAR

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1 PURPOSE OF THE REPORT

This report aims to provide the Municipal Council with detailed recommendations on the adoption of the Draft Annual Report for the 2020/2021 Financial Year, as the first draft has been tabled to council on the 26th of January 2022 council meeting. This process complies with section 127 (a) (b) and 129 of the Local Government Municipal Finance Management Act (No. 56 of 2003) and the National Treasury Regulations (Circular 32 and 63) on the presentation of Annual Report and processing of the Oversight Report.

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

Role player	Responsible for	Oversight over	Accountable to
Council	Approving policy budget and SDBIP	Executive Mayor or Committee	Community
Executive Mayor or Committee	Policy, budgets, SDBIP outcomes	Municipal Manager	Council
Municipal Manager	Outputs and implementation	The Administration	Executive Mayor or Committee
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

The Municipal Public Accounts Committee compiles the Oversight Report as an assurance tool for the Municipal council, as this is the Section 79 committee established to assist the council in its processes of accountability. The annual report provides an opportunity for the municipality to interact with the public on the key achievements and areas needing improvements. This is expected to be in line with the Integrated Development Plan (IDP) as adopted by the council, and the Service Delivery Budget and Implementation Plan (SDBIP) of the Municipality.

2 AUTHORITY

The Municipal Public Accounts Committee is a Council Committee established in terms of section 33 and section 79 of the Municipal Structures Act (No. 117 of 1998).

3 LEGISLATIVES/STATUTORY REQUIREMENTS

- The Constitution of the Republic of South Africa (1996)
- The Local Government: Municipal Structures Act (No. 117 of 1998)
- The Local Government: Municipal System Act (No. 32 of 2000), as amended
- The Local Government: Municipal Finance Management (Act No 56 of 2003)
- The Local Government: Municipal Finance Management Act Circular No: 11 of 2005
- The Local Government: Municipal Finance Management Act Circular No: 63 of 2003
- The Local Government: Municipal Finance Management Act Circular No: 32 of 2006
- CHDM MPAC Charter as adopted by the Municipal Council

4 BACKGROUND

Section 129 of the Local Government: Municipal Finance Management Act (No. 56 of 2003) requires that *"... the Council of a 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..."*

The Chris Hani District Municipality council considered the 2020/2021 draft annual report as tabled by the Executive Mayor at a council meeting held on 26th January 2022; this is to comply with the MFMA Circular 63. The intention, as communicated to MPAC was that the whole process will culminate with the adoption of the final annual report then oversight report.

In complying with the provisions of section 127(5) (MFMA, 2003), the Draft Annual Report was thereafter made public, placed on the municipal website, and all municipal offices for public to engage with the draft and submit comments within 21 days after the publication of the report. **(A copy of the advert was provided to MPAC).**

Chris Hani District Municipal Council has delegated the responsibility of the Oversight Report on the Annual Report to MPAC in terms of Council Resolution dated 26th January 2022 and therefore the MPAC is:

- To consider and evaluate the Annual Report as tabled to Council, and thereafter make recommendations to Council in this regard.
- To compile an Oversight Report and table it for discussion and adoption to the Municipal Council; this is in terms of Section 129 of the MFMA.

The Municipal Public Accounts Committee therefore in its work has checked whether the information contained in the Annual Report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported on.

5 EXPOSITION OF FACTS

5.1 OVERSIGHT PROCESS

5.1.1 Introduction.

The Municipal Public Accounts Committee developed a detailed and consultative process plan for it to conclude the oversight report on the annual report and communicated such to the Executive which was agreed upon. **(A copy of the Plan is available when requested)**. The Municipal Council noted the Plan, although its implementation had to be revised a few times on request by parties involved. As the MPAC, we are pleased to report that, the plan was indeed implemented successfully.

5.1.2 Presentation of the Draft Annual Report to MPAC

The Executive Mayor, Honorable Cllr W. Gela, made a presentation and later handed over a signed copy of the Draft Annual Report for 2020/2021 financial year to the MPAC, in an MPAC meeting convened for this purpose. In this meeting, the Executive Mayor was accompanied by members of the Mayoral Committee, Municipal Manager, and Heads of Departments.

After interacting with the presentation of the Executive Mayor, the meeting agreed that the Executive Mayor in writing would provide the detailed responses to some of the issues raised. The meeting also congratulated the Executive, for handing over to MPAC a signed copy of the Draft Annual Report.

This meeting further assured the Municipal Public Accounts Committee that the same copy of the Draft Annual Report was also submitted to the offices of Auditor General, COGTA, Treasury offices and the public for their respective comments. Indeed, almost immediately after the meeting, **MPAC was provided with proof of such submissions**. This is a legislative imperative, and MPAC was pleased with this compliance.

5.1.3 Review of the Draft Annual Report in a Working Session.

As provided in the Plan referred to above, MPAC indeed held a successful three - day working session, wherein a detailed interrogation of the Draft Annual Report was undertaken. The meeting concluded by forwarding to the Executive the set of questions and

issues that required to be attended. The Executive was then required to respond in writing within seven working days after receipt thereof. MPAC invited the presence of local municipalities in the process of interrogating the annual report to intensify oversight work.

The MPAC was pleased with responses from the Office of the Executive Mayor that were received on the 3rd of March 2022 and considered them as fair and satisfactory with no need for further meeting.

5.1.4 Draft Annual Report Roadshows.

MPAC has become accustomed and looked forward to being invited by the Executive to these community roadshows where the Executive presented the Draft Annual Report to communities and allowed an interaction on the contents of the report by communities. This MPAC acknowledges, as the additional attempt by the Executive to account to communities and to further source the inputs/comments of this important stakeholder on the Annual Report of the municipality.

The previously mentioned expectation is given legitimacy by Circular 32, which reads that "whilst the MPAC is seized with an analysis of the report in detail, other councilors should also be conducting their own review of the report... (Including) discussions with constituents, ward committees and ward representatives to encourage inputs and comments". Indeed, Executive Mayor, Honorable Cllr W Gela presented 2020/2021 Annual Report in a talk show organized at Vukani Community radio.

5.1.5 The Follow-up Meeting with the Executive.

As MPAC we note that section 127 of the MFMA still requires the Draft Annual report to be adopted by the Municipal council by the 25th of January, with the Final draft Oversight Report adopted by the 30th of March.

In our view and as suggested by the contents of the MFMA circular 63, practice of presenting the first Draft Annual report in August enhances the Municipal Council Oversight, and that it can be commended if this could be phased in as it was practiced in the 2016/17 financial year. This is based on the tight schedule of the Executive and the management in the third term (January-March) not unless proper planning can be ensured, MPAC noticed that the process of optimally interacting with the executive is one way infringed during this period, as well, the good practice of bringing the Draft Oversight Report to council is deprived due to tight time frames

5.1.6 Chris Hani Development Agency's Draft Annual Report.

The Draft Annual Report of CHDA was included into the Draft Annual report of Chris Hani District Municipality. MPAC accepts this report and finds the progress of the entity satisfactory.

5.1.7 Conclusion

As tasked in terms of the Municipal Council resolution and other applicable legal prescripts, indeed MPAC embarked on an extensive oversight process as reflected above. Key comments of the Committee (MPAC) and other stakeholders is reflected elsewhere in this report.

We must further note that in considering the contents of the Draft Annual Report, the Committee also assessed and referred on the following key documents:

- Chris Hani District Municipality Integrated Development Plan 2020/21.
- Chris Hani District Municipality adopted Consolidated Annual Report 2019/2020 and its Oversight Report.
- Chris Hani District Municipality SDBIP 2019/2020
- Audit Report 2018/2019 and 2019/2020
- In year Audit and Performance Committee Reports.
- In year MPAC Reports
- MFMA Circular No 63: Annual Reports Guidelines; and
- MFMA Circular No 32: Oversight Report.

Finally, it must be indicated that the minutes of all meetings held, and correspondences made are available and can be availed as formal record of the proceedings of the oversight process undertaken on the Draft Annual Report 2020/21 financial year.

5.2 KEY COMMENTS

Circular 32 of the National Treasury recommends that the summary of key issues raised be captured in the Oversight Report. It is against this background that we are summarizing such key issues and comments from the CHDM's Audit Committee, the Council, and the Management.

5.2.1 The CHDM Council

Minutes of the Council Meeting of the 25th of January 2022, where the Draft Annual Report of 2020/2021 financial year was noted, are available for records.

5.2.2 The Auditor-General's Opinion and Response by Management

The Auditor-General's Opinion on 2020/2021 financial year was presented as included in the Draft Annual Report, and the CHDM audit action plan presented. MPAC, highly commended the monthly monitoring implementation approach of the Audit Action Plan adopted by CHDM.

5.2.3 Comments from the Provincial Treasury and COGTA.

No comments received from the Provincial Treasury on CHDM Annual Report for the year under review, this has been confirmed by Treasury office.

5.2.4 Project Visits

Projects visits is the prerequisite of accountability for good governance especially in the context of Chis Hani District Municipality as water service authority and water service provider, and indeed, MPAC sampled projects working with Engineering department and formulated a consolidated project visit plan that was implemented with the involvement of local municipalities and Engineering Department, and reports on the infrastructure projects for the institution were presented to council with recommendations as part of the in-year oversight reports and issues needed clarity and urgent attention were raised sharply.

5.2.5 Community.

Community Roadshow for presentation of the 2020/2021 Annual Report was organized under Covid 19 Regulations and held through media platforms at Vukani Community Radio talk show, led by the Executive Mayor, Honorable Cllr. Gela. Chairperson of the Municipal Public Accounts Committee was invited to be part of the talk show.

5.2.6 The CHDM Municipal Public Accounts Committee

The Working Session convened by the MPAC over three days from the **16-18th February 2022** concluded its business by raising issues through some correspondence to the Executive. Those issues and questions were subsequently responded to in writing, MPAC is pleased with the submission of the corrected version of the Annual Report as part of MPAC activity plan and on top of that, further engagements with the office of the auditor general, Treasury and COGTA are in progress for the best ways of implementing Audit Action Plan that will respond accurately to the issues raised by AGSA.

Implementation of recommendations of the Audit Committee and those of Internal Audit Unit is of great significance to MPAC throughout the year as these forms the basis for the in-year oversight work and a standing invitation of the MPAC chairperson in the Audit Committee meetings is of high regard to MPAC operations.

After MPAC has interrogated the annual report and satisfied with the responses by the Executive, meeting of the **23rd of March 2022** finally resolved to adopt the Draft Oversight Report presented, this is in consideration with Treasury Regulations with regards to the time frames for submission of the Oversight Report.

5.2.7 CHALLENGES

The following challenges were of note by the committee:

- Whilst MPAC meetings were not open to the public and not widely publicized in the media (newspaper and radio), as a result, there was no attendance by the public and neither were any written comments from the public and other bodies received in writing. However, MPAC seeks to find ways of improving this situation.

6 IMPLICATIONS

6.1 STAFF

The administration assigned officials to provide secretariat, logistical and technical support to the committee.

6.2 FINANCIAL

It is further proposed that Council approves the dedicated budget for the operations of the Municipal Public Accounts Committee.

7 PARTIES CONSULTED

Council of the Chris Hani District Municipality.

Office of the Council Chief Whip.

Office of the Council Speaker.

The Executive Mayor.

The accounting officer and heads of departments

8 RECOMMENDATIONS

It is recommended to Council that:

1. Council **adopt** the Annual Report and its Oversight Report 2020/2021 financial year without reservations.
2. The Oversight Report **be made** public in terms of Section 129 (3) of the MFMA.
3. The Oversight Report **be submitted** to the Eastern Cape Legislature in terms of Section 132(2) of the MFMA.

9 THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

9.1 MEMBERS

1. Councilor P. Makapela: Chairperson
 2. Councilor R Venske
 3. Councilor M Limba
 4. Councilor S Guma
 5. Councilor K Clark
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9.2 DATE OF THE REPORT

23 March 2022

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CHAIRPERSON: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Cllr P. Makapela