

OVERSIGHT

REPORT

2022/23



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CHAIRPERSON'S FOREWORDS

To the Senqu community, it is a great pleasure to present the Oversight Report of the Municipal Public Accounts Committee (MPAC) on the 2022/2023 Annual Report. The MFMA assigns specific oversight responsibilities to Council in the annual reporting process and the preparation of the Oversight Report. Given the processes required by Council to effectively undertake its oversight role, the establishment of the MPAC of Council provides the appropriate mechanism through which Council fulfils its oversight responsibilities. The MPAC considered and evaluated the 2022/2023 Annual Report and monitored that all submissions and calls for comments were undertaken as per Section 127(5), Section 130 and Section 132 of the MFMA. The Oversight Report was prepared taking into consideration the views and inputs of, the communities of Senqu Local Municipality, Stakeholders representatives, representatives of the Auditor-General, organs of state, the Audit Committee and Councillors. The Annual Report was available through a variety of methods including the Senqu Municipality's website, Senqu Facebook page and hardcopies in all our satellite or unit administration buildings and public libraries.

The MPAC commends management for the overall improvement in internal controls, the control environment and assurance provided by all assurance levels. These are largely attributed to strong and competent leadership by political leadership of this municipality working together with the administration as well as improved consequence management.

The MPAC commends the Municipality for nine clean audit opinion from the previous financial years.

On behalf of the MPAC, 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-General and the Audit Committee for their input in the 2022/2023 Annual Report and oversight process. To the MPAC committee we have a long way ensuring transparency, accountability, and effective use of public funds.

CHAPTER 1

1.1 INTRODUCTION

The basis for the development of the Oversight Report is affirmed in the Constitution of the Republic of South of 1996, section 152 which determines the objects of local government. Section 152(1)(a) and (1)(e). The former implores councils to be democratic and accountable to the communities within which they exist, and the latter obligates the council to create a conducive climate for communities to participate meaningfully in the affairs of the municipal council. To give effect to this constitutional requirement placed upon councils, the Constitution in terms of section 154(2) empowers the National and Provincial governments to develop legislations the status, institutions powers or functions of local government. Chief amongst those legislations is the Municipal Structures Act of 1998, the Municipal Systems Act of 2000 and the Local Government: Municipal Finance Management Act of 2003. The Municipal Structures Act in section 79(1) empowers the municipal council to establish council committees and section 79(2) implores the councils to develop terms of references for those committees as a guide on their establishment, powers, and functions. Furthermore Section 129(4)(b) MFMA, authorizes National Treasury to issue guidelines on the functioning and composition of MPAC The Municipal Public Accounts Committee of Senqu municipality has been established to perform the oversight responsibility on behalf of council. One of the critical tasks of MPAC in pursuit of proper oversight is to assist the council to consider the Annual Report conduct public hearings and develop an oversight report.

The Annual Report is one of the key strategic instruments that a municipality uses to take stock of its financial and non- financial performance for the duration of the period under review. It is a post facto report (it looks backwards). Municipalities are required to prepare and adopt Annual Reports in accordance with section 121 of the MFMA and its purpose can be summarized as follows:

- (a) To provide a record of the activities of the municipality during the financial year to which it
- (b) relates;

- (c) To provide a report on performance against the budget of the municipality for that financial year; and
- (d) To promote accountability to the local community for the decisions made throughout the
- (e) year by the municipality or municipal entity.

In the process of considering the annual report MPAC is expected to develop an Oversight Report in terms of section which has to make recommendations to council as to whether the council should

- (a) approves the annual report with or without reservations;
- (b) rejects the annual report; or
- (c) refers the annual report back for revision of those components that can be revised.

1.2 OBJECTIVES OF THE REPORT

The Oversight Report sets out to assess the progress, successes and achievements made by various departments in delivering on the plans as for the year under review thus seeks:

- (a) To measure and test the credibility, accuracy and quality of the 2022/23 Annual Report submitted to council on the 25 January 2024 against the prescripts of Section 121(2)(a)-(c).
- (b) To assess and establish whether the projects implemented in the 2022/2023 Financial year have been completed and whether they were in line with the budget allocation.
- (c) Set out to ascertain whether there has been value for money and impact of all services paid for and rendered.
- (d) To check out customer satisfaction through engagements of communities and beneficiaries to municipal services and allow them space and platform to make submissions on any aspects of the annual report.
- (e) To establish whether programmes and projects reported in the 2022/2023 Annual Report are consistent with the policies of the municipality.
- (f) To assess the extent and gravity to which the matters raised by the Auditor General in the 2022/2023 Audit report have been responded to as well as the follow through of MPAC determination through various reports.

(g) To establish issues of compliance with regards to the structure and contents of the 2022/2023 Annual Report by testing it against the prescribed legislation (section 121 of the MFMA) in this case.

1.3 LEGISLATIVE FRAMEWORK

NO	SOURCE	PROVISION
1	Constitution of the Republic of South Africa	Objects of Local Government the National and Provincial governments to develop legislations the status, institutions powers or functions of local government.
2	Municipal Structure Act No. 117 of 1998	Establishment of Oversight Committee
3	Municipal Finance Management Act No 56 of 2003	Section 129: Council must consider the Annual Report of the Municipality. Prepare an Oversight Report. Allowance for the submissions and address by the members of the community
4	Municipal Systems Act No. 32 of 1999	To monitor compliance with section 25,34,39,54 reports
5	National Treasury Guidelines 2011	MPAC may engage directly with the public and consider public comments when received. Will be entitled to request documents or evidence from the Accounting Officer of the Municipality. In cases of irregular expenditure or wasteful and fruitless expenditure, MPAC have the right to call upon the Accounting Officer

6	MFMA Circular 32	Structure and content of the Oversight Report. Resolution and statement
	MFMA Circular 63	Process for Annual report consideration Tabling and adoption of the Annual Report. Timelines for consideration and Tabling of Oversight Report. Timelines for the tabling of Audit Report by the office of the Auditor General to Council in terms of the main Act. The Auditor General to Council in terms of the main Act.
7	Local Government Municipal Planning and Performance Management Regulation. Regulation 6	To review the draft annual Budget and ensure that it is informed and aligned to IDP

1.4 ACCOUNTABILITY FRAMEWORK FOR LOCAL GOVERNMENT

The Oversight Report is the final major step in the annual reporting process of a municipality therefore section 129 of the MFMA requires the council to consider the annual report of its municipality to adopt an oversight report containing the council's comments on the annual report.

The table below displays the nature of financial governance framework applicable to the municipality.

Responsible Person	Responsible for	Oversight over	Accountable to
Council	Approving policies, IDP	Mayor and/or	Community

5.5

	and Budget	Members of Executive Committee	
Mayor	Policy, budgets, service delivery outcomes and Management of/oversight over Municipal Manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation of policies and SDBIP	The Administration	Mayor
CFO & Senior Mangers	Outputs and implementation of SDBIP	Financial Management and Operational Functions	Municipal Manager

Therefore, the oversight report follows consideration and consultation on the Annual Report and is a report of the municipal council to the community disclosing the level of performance/success, obtained in addressing/meeting the priority needs and stated desires of the community as contained in the approved IDP.

1.5 AUTHORITY OF THE COMMITTEE

The Municipal Public Accounts Committee is a Council Committee established in terms of sections 33 and 79 of the Municipal Structures Act and accountable in the performance of its delegated responsibilities to the Council. The committee has access to all records and

information that it may require from the office bearers, management, or employees of the Municipality.

1.6 COMPOSITION OF MPAC

The MPAC (Oversight Committee) is a committee of Council established in terms of section 79 of the Municipal Structures Act, the committee comprise solely of councilors appointed through a council resolution.

MFMA Circular No. 63 states that the Oversight Committee should be made up of only non-executive councilors. It further provides that the municipal officials cannot serve as members of an oversight committee.

MEMBER	POSITION
Cllr. Kholiwe Mpiti-Xhelesha	Chairperson
Cllr. Mchumane Ntlwatini	
Cllr. Tshepiso Madiene	
Cllr. Pulane Mmele	
Cllr. Babalwa Lawu	
Cllr. Dumisani Somsila	
Cllr. Akhona Mvelase	
Cllr. Mahlubandile Phuza	
Cllr. Lunga Nongongo	

1.7 MANDATE OF MPAC

Amongst the primary responsibilities of the committee are the following:

- (a) Interrogate the record of activities in each Financial Year, determine linkages between Strategic Plans [IDP], Budget, SDBIP and Annual Report.

- (b) Establish deficiencies, omissions, variation, deviations, and reasons thereof and corrective measures.
- (c) To hold Executive accountable and to ensure effective use of Municipal resources and enhance public awareness of the financial and performance issues of the Municipality.
- (d) Consider and evaluate the content of the annual report and report to council as such when adopting an oversight report.
- (e) To promote transparency, and public accountability in the use of municipal resources.
- (f) To review any proposals for improving efficiency, effectiveness, and economy in the financial sphere of the organization.
- (g) Examine the financial statements and audit reports of the municipality and consider improvements, also considering previous statements and reports.
- (h) Examine, and evaluate the extent to which MPAC recommendations and those of the Audit Committee have been implemented.

1.8 MPAC MEETINGS

The committee convened a series of working sessions as part of oversight processes to ensure that a credible oversight report is adopted by Council.

1.9 STAKEHOLDER ENGAGEMENTS

Section 130 of the MFMA stipulates that public participation must of be a central element of all processes relating to an Annual Report. In so doing, the Section instructs that the meetings of a municipal council or committee established by Council at which an annual report is to be discussed or at which decisions concerning an annual report are to be taken, must be open to the public and any organs of state.

- As part of promoting public participation in the oversight process, municipalities are obliged to undertake the following additional actions:
- Publish the Draft Annual Report on the Municipal website and on local newspapers.
- Place hard copies of the Annual Report on strategic municipal buildings that are easily accessible to the public.

- Invite written submissions from the local community or organs of state on the Annual Report
Make public all meetings at which the Annual Report will be discussed.
- Representatives of the Auditor-General are entitled to attend and to speak at any meeting that deals with the Annual Report
- Engage in a process of public participation on the Annual Report.

CHAPTER 2

2.1 APPROACH ON THE ANNUAL REPORT

Due to resource constraints the committee could not afford to hold public engagement session in different wards instead the committee opted to bring all wards representatives under one roof in the council chambers. This meeting was held on 15 March 2024. The Committee however, received written submission from Cogta. The representation across all wards comprised of the following delegations:

- Ward Committees
- Community Development Workers (CDW's)
- Traditional Leaders
- Ward Councillors

The report was flighted on the screen using a projector so that everybody could see.

2.2 DEPARTMENTAL ENGAGEMENTS

As mentioned above the committee received written submissions from Department of Cooperative Governance and Traditional Affairs. The following points are a summary of their submissions:

- Date of submission of the Annual Report to National Treasury was complied with.
- Report was submitted in the form of a hard copy
- The report was not signed by both the Mayor and the Municipal Manager.
- The Auditor General's Report is not included in the Draft Annual Report

- The Report was compliant in as far as the structure and content.
- The Report has all the required annexures as regulated.

2.3 COMMUNITY ENGAGEMENTS

The community comments on the Annual Report presentation can be summarized as follows:

- The community representatives and stakeholders expressed appreciation in the manner the session has been organized because it allowed even the disabled and furthest of areas an opportunity to participate.
- The issue of the employment in the projects was raised sharply and that all employment must be above board and not favour certain individuals and must cater for the disabled as well.
- The problems with the Barkley East Cemetery project need to be attended to as a matter of urgency.
- Public participation in all municipal project should be strengthened to avoid misinformation and disruption of project.
- Service Centers like community halls and other municipal building that are closer to the people must be renovated and made user friendly.
- Community confirms that the projects reported on in the Annual Report are actually a true reflection of what is taking place on the ground.
- The plight of the disabled people should always take precedence when projects are initiated.
- Report on Free Basic services is a true reflection of what is happening in the wards.
- The maintenance of roads in rural area needs too be prioritized and additional plant must be purchased to meet the demands of road maintenance.
- Inadequate controls in supply chain processes should be attended to as a matter of utmost urgency.
- Poor performance of contractors should be addressed and dealt with expeditiously.
- The financial reserves of the municipality should be used towards service delivery.
- Fruitless and Wasteful Expenditure, Unauthorised Expenditure and Irregular expenditure must be eliminated, and consequence management be enforced.
- The role of MPAC is needed more than ever.

- Community appreciates the fact that Senqu Municipality is consistently receiving Clean Audits except for 2021-2022 financial year.
- All expenditure must be predicated on plans and youth women and disabled people be always considered.

CHAPTER 3

3.1 Auditor General Report

- The community appreciates the fact that the municipality can submit the financial statements for auditing purpose on time and in compliance with all the audit requirements.
- The fact that Senqu Municipality has attained Clean Audits nine time in ten financial years (eight years consecutively) is commended and its testament to the fact that the public pursed is utilized judiciously and prudently.

The municipality should try to eradicate irregular, fruitless, and wasteful expenditures as much as it can.

CHAPTER 4

4.1 ANALYSIS OF THE 2022-2023 ANNUAL REPORT CHAPTERS

CHAPTER 1: MAYORS FOREWORD AND EXECUTIVE SUMMARY

Municipal Public Accounts Committee members have noted that both the Mayor and the municipality provide a summary of services that the municipality is rendering to its constituencies. Services like waste management, sport facilities development, traffic services. The chapter also touches on youth projects, job creation, public participation. It also highlights the fact that the municipality' s financial health is stable however it both allude to the service

delivery challenges the municipality is grappling with. The committee also noted that the chapter provides an updated statistics of our demographics and development patterns. All this is consistent with the municipality's vision.

CHAPTER 2: GOVERNANCE

2.1 Political Governance

The annual report accurately captures the status quo of political governance in that councillors are allocated to standing committees that meet monthly to discuss and investigate issues of service delivery. The political structures and their functions are highlighted and explained in the Annual Report and the relationship between the council and traditional leadership are sound and have become more cordial.

2.2 Administrative Governance

MPAC noted that the municipality's administrative governance led by the Honorable Mayor and the Municipal Manager has brought stability and consistent results in terms of performance results. This clean administrative governance has resulted in successive clean audits for nine out of ten years. It is also noted that, these commendable results were achieved while the institution had lost both the MM and CFO and there were acting people until the end of the reporting period.

2.3 Intergovernmental Relations

Cooperative relations with other levels of governance have been beneficial to the municipality in conducting its operations as it is learning from best practices applied by other institutions at the district, provincial and national levels. Participating in Joe Gqabi District, District Mayors Forum (Dimafu), Munimec and other National intergovernmental structures has had remarkable socio-economic benefits for the municipality.

2.4 Public Accountability & Participation

Public Meeting

The committee is satisfied with how public meeting are unfolding in the municipality as this is indicative of the positive thrust relationship between the public and the community. The committee is further emboldened by the establishment of the structures and forums the enhance meaningful participation of the public in the plannings and monitoring and evaluation of the municipality's service delivery operations.

2.5 IDP Participation and Alignment

In respect of IDP Participation and Alignment, the committee is pleased with the information submitted as an accurate reflection of the state of affairs in the municipality. The public participates adequately in the development of the strategic development of the municipality's plans and the development of the budget to allocate resources in pursuit of those plans.

2.6 Corporate Governance

The committee is satisfied that strict adherence and compliance with the legal prescripts by the municipality in conduct of its business and operations is a unique characteristic of Senqu municipality. More emphasis is put on

- i. Risk Management
- ii. Fraud and anti-corruption and
- iii. Supply Chain

MPAC is satisfied with the information supplied in respect of the above and the risks identified and the management thereof.

2.7 Supply Chain Management

In respect of Supply Chain Management, the committee believes that more attention is required to ensure that service delivery is not compromised due to underspending of the MIG Grant. The lengthy processes that are given as reasons for delays in starting projects on time is noted and a turn-around plan to change this situation should be expeditiously developed.

2.8 Municipal Website

The committee is satisfied that the information given is an accurate reflection of this are. None the less, it will appreciate if the website is updated on a regular basis with updated information so that the public is informed with reliable information.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE: PERFORMANCE REPORT PART 1

3.1 Basic Services

The report on delivery of basic services is a true reflection of the performance of the municipality. The committee is of the view that there are areas that need much improvement such as road maintenance, upgrading of the ageing electrical infrastructure and improvement on reducing electricity losses which become an impediment in delivering basic service. Procurement of road maintenance plant should be given priority to achieve the desired levels of service delivery.

3.2 Environmental protection

The Committee is satisfied that the information reported on waste management services ensures protection, preservation, and sustainability of our environment. It is however noted that the office of the Auditor-General has raised some concerns on the status of some of the municipal waste sites.

3.3 Community and Social Services

The committee is satisfied with the manner in which this item is reported in the annual report as it reflects the obtaining status quo.

3.4 Health

The Committee is satisfied that the information reported on this performance area and notes that more needs to be done.

3.5 Safety and Security

The Committee is satisfied that the information reported on this performance area and notes that more needs to be done.

3.6 Sport and Recreation

The committee is satisfied that what appears in the annual report on this area of performance is the true reflection of what is obtaining on the ground.

3.7 General Comments

MPAC believes that for service delivery to be optimized, the necessary infrastructure has to be in place, and this therefore requires the municipality to ensure that it invests more on infrastructure development and maintenance and ensure that revenue collection is enhanced and improved. The report clearly points to the fact that the municipality is achieving in meeting the minimum standard of basic service delivery levels to its communities.

CHAPTER 4 ORGANISATIONAL DEVELOPMENT (PERFORMANCE REPORT PART 2)

The committee is satisfied with the information submitted on this area of report. The fact that the municipality has in place a policy framework that deals with how the municipality should try to keep the skills that it currently has, is encouraging and is a clear testament that it has responded to the 2021-2022 Oversight report. The staff turnover has to be monitored and addressed at all costs if the municipality wants to keep the excellent audit reports.

The committee is still not satisfied that issue raised in the 2021-2022 Oversight Report on conduct of exit interviews is not adequately addressed or in cases where these have been done, they are not taken seriously. The committee is satisfied that the critical posts have been filled on time. However, the fact that the municipality slightly went over the 40% norm on staff costs is worrying and should be curbed and not be perpetual. Staff costs must not compete with the delivery of services. This calls for more revenue streams in order to sustain this emerging trend.

CHAPTER 5: FINANCIAL PERFORMANCE

The committee has noted the report on financial performance and is encouraged by the fact that the liquidity status of the municipality is such that the institution can be able to fulfil its current liabilities for the next twelve months from its own coffers and the committee is encouraged further by the municipality's ability to reclaim the clean audit status within twelve months. This is indicative of the municipality's willingness to learn from its mistakes and correct the wrongs. The performance of service providers has to be monitored consistently and prompt action to be taken to ensure that service delivery is not compromised. Fruitless and Wasteful Expenditures, Unauthorized Expenditures and Irregular Expenditures has to be eliminated and strict compliance to the supply chain policies has to be vigorously enforced.

CHAPTER 6: AUDITOR GENERAL'S FINDINGS

The committee is pleased with the fact that the municipality has reclaimed its clean audit status as this is testament to the fact that the institution is willing to accept its mistakes and learn from them and never to repeat them. The political leadership and management have to be commended for wanting to enforce financial prudence and keeping the good reputation of the municipality intact. Management should ensure that it addresses all issues that are in the Audit Action Plan.

FINDINGS OF MPAC AND ISSUES TO BE CONSIDERED BY COUNCIL

Chapter 1: Mayors Foreword and Executive Summary

The committee makes no findings but wishes to express gratitude on the executive and administrative leadership and dynamism of both offices in steering the institution towards excellence.

Chapter 2: Governance

The committee notes the seriousness with which management treats the issue of corporate governance, risk management, fraud and the supply chain management, because these will have a direct bearing on the extent to which the municipality is able to meet its constitutional obligation towards its communities.

Chapter 3: (Service Delivery Performance: Performance Report Part 1)

The committee is still concerned about the poor performance of the municipality in respect of performance and loss of revenue due to electricity losses. The perpetual non completion of projects by contractors is testament to the lack of due diligence during the procurement processes.

Council and management should therefore ensure that prompt action is taken to address the two identified areas of concerns as they might negatively impact on the ability of the municipality to deliver services on a sustainable basis.

Chapter 4: Organisational Development (Performance Report Part 2)

The committee has no findings on this chapter except to say that the morale of the staff has to be given priority.

Chapter 5: Financial Performance

MPAC wishes to commend the management of for its unrelenting quest to achieve financial prudence and stability. However, continued underspending of MIG grant remains a thorn in the flesh and the committee implores management to enforce consequence management where it is necessary.

Chapter 6: Auditor General's Findings

The committee is encouraged by the municipality's ability to swiftly recover from the 2021-2022 unfavorable audit results and respond promptly. The return to clean audit is highly commendable.

General Comments

MPAC is satisfied with the information furnished and has taken notes of all the contributions and comments by our stakeholders and communities and wishes to commit that their inputs will be taken seriously and that their participation was not a mere talk show and an act cosmetic compliance.

CHAPTER 5

5.1 RECOMMENDATIONS TO COUNCIL

MPAC recommends that:

- 1) The Council having fully considered the 2022/23 Annual Report of the Senqu Municipality and comments thereon, adopts the 2022/23 Oversight Report in terms of Section 129 (1) of the MFMA.
- 2) The Council approves the 2022/23 Annual Report in terms of Section 129 (l)(a) of the MFMA without reservations.
- 3) The Oversight and Annual Report of the Senqu Municipality must be made public in terms of Section 129 (3) of the MFMA.
- 4) The Oversight Report and Annual Report 2022/23 of Senqu Municipality be submitted to the Provincial Legislature in terms of Section 132(2) of the MFMA.

5.2 CONCLUSION

The committee wishes to express its heartfelt sense of gratitude to the office of the Mayor and Municipal manager for the support on matters brought to their attention during the oversight process. The Portfolio Heads and Management team cooperated and engaged with the committee diligently throughout the process.

Honorable Speaker, members of the Executive, Traditional Leaders, Councilors, and entire community of Senqu Municipality the MPAC now tables and submit the oversight report to Council for consideration and adoption.



COUNCILLOR: Kholiwe Mpiti-Xelesha

CHAIRPERSON: MPAC

SENQU MUNICIPALITY (EC142)

27 MARCH 2024