

BLUE CRANE ROUTE MUNICIPALITY (EC102)



2018/19 OVERSIGHT REPORT

PRESENTED TO COUNCIL ON FRIDAY, 15 MAY 2020

CONTENTS

FOREWORD BY CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	2
INTRODUCTION	3
Financial Governance Framework Applicable To Local Government	3
Separation of Roles	3
BACKGROUND	4
The Annual Report	4
APPOINTMENT OF MPAC	5
PROCESS OF ASSESSMENT OF the ANNUAL REPORT	6
BLUE CRANE ROUTE MUNICIPALITY ANNUAL REPORT 2018/2019	7
Questions and Answers Posed by Councillors	7
Corrections regarding the Annual Report	8
Advertising Process	8
Responses Received	8
SUMMARY OF COMMENTS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE 2018/19 ANNUAL REPORT OF THE BLUE CRANE ROTUE MUNICIPALITY	9
MPAC RECOMMENDED RESOLUTIONS TO BE ADOPTED BY COUNCIL IN ACCORDANCE WITH SECTION 129(1) OF THE MFMA	9
EXTRACT OF COUNCIL RESOLUTION - SIGNED	10
ANNEXURE A – COPY OF NOTICE PLACED	11

FOREWORD BY CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Mayor, Councillors, Management and Officials

It is an immense honour and privilege to present to Council today, an Oversight report that was compiled by members of MPAC in consultation with other Councillors. MPAC will in future continue to meet regularly to fulfil its obligations in terms of the provisions of the Local Government Municipal Structures Act, Act 117 of 1998 and the Municipal Finance Management Act, Act 56 of 2003 regarding the exercise of oversight. We furthermore aim to monitor the implementation of the Audit Implementation Plan and more specifically deal with the irregular expenditure and lack of consequence management.

The establishment of MPAC is significant to council in such a way that oversight will no longer be a backward looking exercise. Rather, MPAC will move with the Annual Report from its point of departure up until its end.

Our focus as MPAC will remain to assist BCRM and to achieve a clean audit report. In striving for this outcome, I would remind my MPAC colleagues that we must raise our concerns adamantly. I hope that as a committee, we set exemplary standards for others to follow and that we raise the bar of work ethics from achievement to excellence.

For the purpose of transparency and to the knowledge of all councillors and the public present today, I will table this report by means of a holistic approach for the purpose of clarity.

The reason this oversight report is only tabled at Council today, is due to the fact that National Treasury granted exemption as per MFMA Circular 99 dated 8 April 2020 to table the 2018/19 Oversight report within 30 days after the end of the COVID19 lockdown.



COUNCILLOR N.P. NKONYENI
MPAC CHAIRPERSON

INTRODUCTION

Council is vested with the responsibility to oversee the performance of its municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). This oversight responsibility of council is particularly important for the process of considering annual reports.

The MFMA and MSA (Systems Act) recognise that council has a critical role to play to ensure better performance by municipal departments. An explicit linkage exists between the strategic goals determined by the Council through the **IDP** process. These strategic goals 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 a basis for better oversight and cement the contracts between the executive/council, the administration and the public.

The MFMA gives effect to financial management reforms that place greater service delivery responsibilities on managers and makes them more accountable for performance.

Oversight occurs at various levels in a municipality and is explained in the following table:

Financial Governance Framework Applicable To Local Government

	Responsible for	Oversight over	Accountable to
Mayor	Policy, Budget, IDP Outcomes, Management of / oversight over Municipal Manager	Municipal Manager	Council
Municipal Manager	Outputs and Implementation	The Administration	Mayor
Chief Financial Officer and Senior Managers	Outputs and Implementation	Financial Management and Operational Functions	Municipal Manager

Separation of Roles

The separation of roles between the council and administration is intended to strengthen the oversight function of Councillors. Good governance and effective oversight and accountability are based on there being this separation of functions. It is fundamental for the achievement of the objects for local government in the Constitution relating to a democratic and accountable system of local government.

Council oversees the performance of the administration through council and committee meetings.

BACKGROUND

Each municipality must prepare an annual report for each financial year in accordance with the MFMA and MSA. The purpose of the annual report is:

- To provide a record of the activities of the municipality and 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.

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets outlined in their strategic plans. Annual reports are, therefore, required to contain information on service delivery and outcomes, in addition to financial statements.

The Annual Report

The Annual Report is meant to be a backward-looking document, focusing on performance in the financial year that has just ended; and must demonstrate how the budget was implemented and the results of service delivery operations for that financial year.

When tabled, the annual report should include four main components, each of which has an important function in promoting governance and accountability. The main components are:

- The annual performance report as required by section 46 of the MSA;
- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
- The Auditor-General's audit report on performance in terms of section 45(b) of the other components to be included in the annual report are set out in the section 121 of the MFMA and MFMA Circular No 11 issued by National Treasury on 14 January 2005 and MFMA Circular No 63 issued on 26 September 2012.

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 report of its municipality and municipal entities and to adopt an "oversight report" containing the council's comments on each 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 thus clearly distinguished from the annual report. The annual report is submitted to the council by the accounting officer and the mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals set by council. The oversight report is a report of the municipal council and follows consideration and consultation on the annual report by the council itself. Thus the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

APPOINTMENT OF MPAC

The Department of Co-operative Governance and National Treasury directed that all municipalities establish Municipal Public Accounts Committees (MPACs) to perform the oversight function on behalf of the Council. MPACs powers and functions are wider than those of an Oversight Committee. Council on 01 November 2011 resolved that a Municipal Public Accounts Committee be established to perform the oversight function on behalf of Council. This includes the detailed analysis and review of the annual report, and drafting an oversight report for consideration by Council.

In terms of the resolution of Council dated 19 August 2016, the MPAC comprises of members as detailed below:

Chairperson:

Councillor N.P. Nkonyeni

Members:

Councillor A. Hufkie
Councillor N.P. Kwatsha
Councillor F.P. Brown
Councillor J.M. Martin

PROCESS OF ASSESSMENT OF THE ANNUAL REPORT

The draft Annual Report for 2018/2019 was tabled at a Council meeting held on 30 August 2019, when it was noted for submission to the Auditor General as a first draft.

The draft Annual Report for 2018/2019 was re-tabled at a Council meeting held on 30 January 2020 in line with section 121 of the MFMA, when it was resolved as follows:

- (a) that the Annual Report for 2018/2019 be made public in terms of section 127(2) of the MFMA and that the local community be invited to submit representations in connection therewith;
- (b) That the draft Annual Report be submitted to the BCRM Municipal Public Accounts Committee for analysis and review.

BLUE CRANE ROUTE MUNICIPALITY ANNUAL REPORT 2018/2019

Questions and Answers Posed by Councillors

At a workshop was held on Friday, 13 March 2020 all Councillors were invited to this session. A high-level presentation of the annual report was done. Questions were raised and comments made by Councillors. The Municipal Manager and his management team responded.

The Municipal Manager then indicated that the Annual Report will have to be presented to MPAC for Oversight purposes.

A MPAC meeting was held on Tuesday, 17 March 2020 as well as Wednesday, 13 May 2020. Questions were raised and management needed to respond The following is a list of all questions and comments made; and how management addressed it:

Meeting dated 17 March 2020:

Recommendations	Comments
1. Revise Mayor's Statement to include:	Revised (page 6).
2. That going forward, Management should seek narration on how statistics influence the municipalities' own planning for development.	To be addressed in in 2019/20 Annual Report
3. That in the next financial year, the municipality should have its own Indigent Register to compare it with the statistics given.	To be addressed in in 2019/20 Annual Report
4. Paragraph regarding relations between the municipality and CDA to be corrected -	Revised (page 20)
5. Overview of Public Accountability	<ul style="list-style-type: none"> • The Chairperson recommended that Ward Councillors be called to MPAC to account on the non-sitting of Ward Meetings. • No meeting was scheduled for MPAC due to lockdown. • Table regarding public participation revised. (page 37-40)
6. Revise powers exercise by BCRM	Revised (markets under functions removed page 26-27)
7. Functionality of the Disciplinary Board- number of cases investigated during 2018/19 fy	Revised (page 30)
8. Intergovernmental relations – Inclusion of Home Affairs and Department of Human Settlement	Included (page 35)
9. That R804 000 be corrected as R807 000	Rectified (page 45)
10. The report is not clear in terms of water and sanitation on water spillages and that it be clearly outlined regarding the pumps and overflowing of drains.	Included (page 48)
11. Functionality of Ward Committees	Councillors are not submitting the information regarding functionality of the ward committees
12. Website table	Refined (Page 46-47)

13 MAY 2020:

MPAC raised the following matters that needs to be addressed:

- Audit action plans are not fully implemented within timeframes agreed upon
- Proper record keeping is a concern
- Performance assessments were not performed for the period of review
- Performance management systems are not cascaded to lower levels of staff
- Certain performance indicators do not meet the SMART principles
- The disproportions in the number of performance indicators per department needs to be addressed
- Inconsistencies in the Eskom accounts should be investigated
- The final close-out report pertaining to the Drought relief project (to reduce water losses) still needs to be report to Council
- Council's website should be updated on a regular basis
- Council should focus on the financial viability of the municipal as the municipality is highly dependent on grant funding for its normal operations

Corrections regarding the Annual Report

See above.

Advertising Process

After the Council meeting on 30 January 2020, the BCRM Annual Report for 2018/2019 was made public in terms of section 127(2) of the MFMA and the local community was invited to submit representations in connection therewith.

Official notices advising where the annual reports could be viewed and inviting representations from the public were placed in the local newspapers and on the Municipality's website. A copy of the official notice is attached as Annexure "A". Copies of the annual report were placed in the Offices of the BCRM administration as well as all the libraries, as well as on the BCRM Website.

Copies of the report were forwarded to the following as required by the MFMA:

- Auditor-General
- Provincial Treasury
- Provincial Department of Local Government and Traditional Affairs
- National Treasury

Responses Received

No written responses were received **by the** closing date for input.

**SUMMARY OF COMMENTS OF THE MUNICIPAL PUBLIC
ACCOUNTS COMMITTEE ON THE 2018/2019 ANNUAL REPORT
OF THE BLUE CRANE ROTUE MUNICIPALITY**

The 2018/2019 Annual Report of the Blue Crane Route Municipality were referred to MPAC for deliberation. The MPAC held a meeting on Tuesday, 13 May 2020. See above table of concerns raised by MPAC. MPAC is of the view that the 2018/19 Annual Report should be approved by Council without reservations. The listed matters above should however be timeously addressed.

**MPAC RECOMMENDED RESOLUTIONS TO BE ADOPTED BY
COUNCIL IN ACCORDANCE WITH SECTION 129(1) OF THE MFMA**


- (a) The MPAC recommend to Council the adoption of the 2018/19 Annual Report without reservation.
- (b) That the Oversight Report be made public in accordance with section 129(3) of the Municipal Finance Management Act (Act 56 of 2003).
- (c) The Oversight Report be submitted to the Provincial Legislature in accordance with Section 132 (2) of the Municipal Finance Management Act (Act 56 of 2003).

EXTRACT OF COUNCIL RESOLUTION - SIGNED

The contents of the following extract from the Council resolution taken at an Ordinary Council meeting held on Friday, 15 May 2020 reads:

- “
1. That the Council approves the 2018/19 Oversight Report as compiled by MPAC;
 2. That Council **approves** the MPAC recommendation to Council for the adoption of the **2018/19 Annual Report without reservation.**
 3. That management should ensure that the following areas of concern be addressed timeously:
 - i. Audit action plans should be implemented within timeframes agreed upon
 - ii. Proper record keeping should be implemented
 - iii. Performance assessments should be done within the prescribed timeframes
 - iv. Performance management systems should be cascaded to lower levels of staff
 - v. Performance indicators should meet the SMART principles
 - vi. The disproportions in the number of performance indicators per department should be addressed
 - vii. Inconsistencies in the Eskom accounts should be investigated
 - viii. The final close-out report pertaining to the Drought relief project (to reduce water losses) still needs to be report to Council
 - ix. Council's website should be updated on a regular basis
 - x. Council should focus on the financial viability of the municipal as the municipality is highly dependent on grant funding for its normal operations
 4. That the Oversight Report be made public in accordance with section 129(3) of the Municipal Finance Management Act (Act 56 of 2003).
 5. That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132 (2) of the Municipal Finance Management Act (Act 56 of 2003).”

I, B.A. Manxoweni, the Mayor and T. Klaas, the Municipal Manager of the Blue Crane Route Municipality hereby declare that the above is a true copy of the resolution taken at a Council Meeting held on 15 May 2020.


B.A. MANXOWENI
MAYOR


THABISO KLAAS
MUNICIPAL MANAGER

DATE: 15/05/2020

DATE: 15/05/2020

ANNEXURE A - COPY OF NOTICE PLACED

BLUE CRANE ROUTE MUNICIPALITY (EC102)



NOTICE 08/2020



**CALL FOR THE PUBLIC COMMENTS:
ANNUAL REPORT 2018/2019**

Mr Thabiso Klaas, the Municipal Manager, as duly instructed by the Speaker of Blue Crane Route Municipality (Cllr B Manxoweni), hereby gives notice that in terms of section 127 (5)(a)(i)(ii) of the Municipal Finance Management Act, No 56 of 2003, Blue Crane Route Municipality is calling for public comments on the 2018/2019 Annual Report. Copies of the Annual Report are available at all municipal units; Somerset East, Cookhouse and Pearson as well as Public Libraries within the said areas. The last day for submission of comments is Friday, 20 March 2020 at 13h00, at all the above mentioned areas.

**ISIMEMO SOLUVO KULUNTU LONKE:
INGXELO YONYAKA 2018/2019**

umnu, Thabiso Klaas, Umphethi kaMasipala njengoko ayalethe nguSomlomo kaMasipala u(Coba B Manxoweni), uyazisa ngokweCandelo 127(5)(a)(i)(ii) lomthetho wophatho nochhano-malikoMasipala, Act 56 of 2003, ukuba umasipala waseBlue Crane Route umema ukuntu ngokubanzi ukuba iLungeme loingxelo yonyaka ka 2018/2019. Amacwecwecw eIngxelo yonyaka ayalumaneka kuzozonke i-otisi zaMasipala, ezisa; Somerset East, Cookhouse nase Pearson kugqibela ngaphakathi eencwadi aseziqolophini nase lokushini. Usuku lokugqibela lokufakwa kwezibhalo nguLwesithathu, umhla we 20 kaMeyiKaMandla 2020, ngentsimbi yokuqala, kuzozonke ezindawo ezizikhankanyhwe ngasentla.

**OPRCEP VIR DIE PUBLIEK
KOMMENTAAR: JAARVERSLAG
2018/2019**

Mr Thabiso Klaas, die Munisipale Bestuurder, in opdrag van die Speaker van Blue Crane Route Munisipaliteit (Cllr B Manxoweni), gee hiermee kennis dat, ingevolge artikel 127(5)(a)(i)(ii) van die Munisipale Finansiële Bestuur, Wet 56 van 2003, Blue Crane Route Munisipaliteit 'n beroep doen op die publiek vir openbare kommentaar oor die jaarverslag 2018/2019. Afscrifte van die jaarverslag is beskikbaar by alle munisipale eenhede; Somerset-Oos, Cookhouse en Pearson asook biblioteke binne die genoemde gebiede. Die laaste dag vir die indiening van kommentaar is Vrydag, 20 Maart 2020 om 13:00, by al die bogenoemde areas.

**THABISO KLAAS
MUNICIPAL MANAGER**