

# **OVERSIGHT REPORT OF THE MPAC (MUNICIPAL PUBLIC ACCOUNTS COMMITTEE) ON THE ANNUAL REPORT OF PRINCE ALBERT MUNICIPALITY FOR THE FINANCIAL YEAR 1 JULY 2016 TO 30 JUNE 2017**

## **INTRODUCTION**

The Annual Report is submitted to Council by the Accounting Officer and the Executive Mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals and objectives set by the municipality for the financial year. The Oversight Report is considered to be a report of the Municipal Council reflecting on the Annual Report.

Council is responsible to oversee the performance of the municipality as required by the Constitution, the Municipal Finance Management Act, Act No 56 of 2003 (MFMA), and the Municipal Systems Act. The oversight responsibility of council is particularly important for the process of considering annual reports. In terms of Section 129 (1) of the MFMA, the Council of a municipality must consider the annual report of the municipality and adopt an oversight report containing the council's comments on the annual report.

## **BACKGROUND**

The 2016/17 Annual Report was tabled in Council on 8 December 2017, reporting on the Municipality's performance for the period 1 July 2016 until 30 June 2017. By doing so, Council complied with Section 133 of the MFMA that stipulates that the Executive Mayor must table the draft Annual Report in Council within 7 months after the end of the financial year, i.e. by the end of January 2018.

Council is legally compelled to engage with and finalize the Annual Report within 9 months after the end of the financial year, which is before 31 March 2018.

Tabling the draft Annual Report signifies the start of the public participation period stipulated in Section 127(5) of the MFMA and Section 21 of the Systems Act. Public comments on the 2016/2017 Annual Report were awaited from the public from 18 December 2017 to 25 January 2018.

The draft Annual Report was placed on Council's website and were made available at municipal offices and libraries in Klaarstroom, Prince Albert and Leeu Gamka. Annual Reports were also submitted to the offices of the Auditor-General, Provincial Treasury and the MEC for Local Government. The Annual Report was also discussed on Radio Gamkaland and listeners were invited to comment and they were informed where to obtain said report.

No public input was received. The draft Annual Report was tabled to the MPAC that acts as Council's Oversight Committee to prepare an Oversight Report on the Annual Report for 2016/17.

The minutes of the meeting of the MPAC is attached as Annexure B.

The MPAC appointed in terms of sections 33 and 79 of the Municipal Structures Act, 1998 to prepare an Oversight Report to Council before 24 March consists of:

- > Cllr M Steyn (Chairperson, representing DA)
- > Cllr S Piedt (representing the ANC)
- > Cllr E Maans (representing the ANC)
- Cllr M Jaftha (representing the KGP)

The MPAC has pleasure in submitting this Oversight Report to Council for approval.

### **1. IDP PROCESS**

The IDP reflects the strategic direction and goals set by Council, and the MPAC is satisfied that the IDP process conformed to statutory requirements with regards to broad-based public participation and consultation through inter alia ward committees, workshops and imbizo's.

### **2. BUDGETARY PROCESS**

The MPAC is satisfied that the budgetary process, based on and informed by the IDP, conformed to statutory requirements with regards to broad-based public participation and consultation through, amongst others, ward committees, workshops and imbizo's.

### **3. SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP) PROCESS**

The MPAC is satisfied that a Service Delivery and Budget Implementation Plan (SDBIP), that is the service delivery targets linked to performance contracts for senior management and staff below them, was duly approved by the Executive Mayor.

### **4. ANNUAL REPORT 2016/17**

#### **Observations and recommendations:**

The MPAC committee made the following observations and recommendations in respect of the Annual Report for the reporting year 1 July 2016 to 30 June 2017:

- (i) The Municipality's maintenance budget is well below the accepted industry norm of 8%, impacting negatively on the performance, lifespan and effective maintenance of the municipality's assets. It should however be remembered that staff cost is not reflected under maintenance and should this be included in MSCOA, the picture may improve. Council did allocate a greater monetary allocation towards the maintenance budget in the current financial year and this should be continued to ensure that preventative maintenance can be done.

Excellent asset management enabled Council to curb their water losses to an industry norm of 15%, while electricity losses came to 14.54% which is under the industry norm. The Municipality should focus on pro active maintenance that will extend their assets' lifecycle.

- (ii) Council's asset management improved by drafting and maintaining an asset register, while preparations were made to ensure the alienation of unused assets. This could unfortunately only be done in December 2017.
- (iii) Debt collection remains a major challenge, even more so in the Eskom service delivery areas, where there is no formal agreement in place to allow for curbing electricity purchases as a means of collecting outstanding debt. Council should continue their debt collection initiatives and SALGA should be encouraged to put pressure on the relevant National and Provincial Authorities to speed up the conclusion of a service level agreement with Eskom that would allow municipalities to effectively act on outstanding debt. Outstanding debt in Eskom service delivery areas impacts negatively on the financial sustainability of municipalities such as Prince Albert and seeking a solution should be prioritized. That being said the Municipality achieved a debt recovery percentage of 86 and has enough available cash to cover their debt.
- (iv) With the assistance of inter-governmental role players, a long term financial plan for Prince Albert Municipality was developed, taking into consideration accurate levies for services, debt collection and controlling mechanisms such as prepaid metering for electricity and water. This resulted in the first steps being taken to implement corrective tariffs in respect of the sewerage services during the 2017/18 financial year. It is imperative that Prince Albert Municipality increase its own revenue to meet the objective of sustainability and to become less dependent on third party funding such as grants. With a liquidity ration of 2.2% against 2015/16 financial year's 1.4, the Municipality is one of the few municipalities that are in a favorable financial position.
- (v) The Municipality should seek to find a balance between building up a healthy financial reserve against the need for improved service delivery and addressing the existing backlogs within our communities that cannot be addressed through external funding options.
- (vi) The capital expenditure of the Municipality was very low during the 2015/16 financial year but improved to 78% during the reporting year after management made a concerted effort to continuously monitor the progress of capital projects and expenditure in order to timely institute remedial steps in the event of under-performance. The objective, however remains 100% expenditure and this target has to be achieved during the current financial year. It is suggested that Management implement annual tenders as part of their procurement processes and monitor expenditure on a monthly basis in both management meetings and portfolio meetings.
- (vii) Though a number of temporary jobs were created under the Expanded Public Works Programme the Municipality can further stimulate their local economy and enhance capital spending by appointing local contractors do undertake certain maintenance or construction projects. This should be investigated by management.
- (viii) The Municipality's human resource and capacity constraints must be considered against the inherent risks that these shortages pose within the municipality's operations. The continuous high vacancy rate of critical positions place unfair and unsustainable pressure on existing staff, hamper segregation of duties and responsibilities and undermine accountability and governance.

The risks posed by not having sufficient capacity and resources in Disaster Management and Fire Fighting speaks for itself and cannot be over emphasized. Council should ensure that the inherent risks in human resource vacancies and essential systems and equipment remain at an acceptable level and where not, that those vacancies should be filled and systems and equipment be acquired. It is however noted, that some progress has been made in this respect.

- (ix) As the Abakus financial system was found non-compliant the municipality had to change to a MSCOA compliant financial accounting system, placing a huge human resource and financial burden on the Municipality. This is a proven risk area that are constantly monitored by Council, management and provincial and national role-players. The Provincial and National Role Players should however take note of the challenges in this respect and provide support to all municipalities to ensure that they are legally compliant.
- (x) Emphasis should be given to the holistic, equitable and sustainable development of the Municipal area. Spatial Development should not only deal with land use matters such as addressing illegal use of land, but should also support realistic and sustainable development that would bridge the economic and physical divide between North and South in a manner that promotes local economic growth, skills development and job creation while protecting and upholding the precious cultural and historic assets and unique character of our towns and neighborhoods. The Municipality should prioritize the drafting of a new zoning scheme as well as an integrated human settlement plan, that enhances neighborhood development and address the infrastructure backlogs in the respective towns.
- (xi) Local economic development initiatives should not be restricted to EPWP, CWP and labor intensive projects, but should facilitate catalyst projects such as Agri Parks, the establishment of dried fruit facilities, the fostering of "new wealth" businesses and the strengthening of the social core through socio-economic and public/private partnerships for example the social lab projects identified in conjunction with the University of Stellenbosch together with the local communities. Whenever such projects (think of Treintjesrivier) are undertaken the necessary goals and objectives, support, training, coaching and control mechanisms should be put in place in order to guarantee success.
- (xii) Speed law enforcement on the N1, at Leeu Gamka, Klaarstroom and within all residential areas must be strengthened. The Average Speed Over Distance cameras do not sufficiently mitigate high speed on the N1 and visible speed law enforcement on the N1 and in all build-up areas must be prioritized to improve road safety. Law enforcement and fine collection did improve significantly during the reporting year after the appointment of a new service provider.
- (xiii) Council must be aware of the many challenges that remain with respect to the delivery of basic services. These challenges include, but are not limited to:
  - the effective management of water and sanitation in general but especially in the current period of severe drought where the area has been declared as a Disaster Drought Area. An emergency water drought mitigation must be prioritised
  - upgrading and maintenance of roads and sidewalks;
  - replacing/upgrading the old electricity network and service reticulation networks;
  - developing new grave yards accessible to the residents of the Municipality;
  - ensuring legal compliance at all landfill sites and waste water treatment works

- refuse removal and management;
  - phasing out of septic tanks and long drops in the Municipal area;
  - Master Plans should be developed and/or updated at regular intervals for each part of the Municipality's core services;
  - fleet management should be prioritised
- (xiv) The ward committee system is functioning well and all participants are capacitated to ensure that they do possess the necessary skills and knowledge to serve the community. Supporting staff were appointed for the respective ward committees in three out of the four ward committees. There are shortcomings in the understanding of communication channels and the feedback and reporting exercises that may hamper the flow of information and service delivery. Council should therefore revisit their ward committee policy as well as their client service policies and procedures.
- (xv) Though the public participation efforts of the Municipality are commendable, the quarterly feedback meetings to the community must be enforced.
- (xvi) Communication remains challenging though a wide array of communication mechanisms is used. When public comment and participation is required, Council must continue to ensure a representative view is obtained and guard against politicking and gate-keeping. It is however true that the Prince Albert communities is geographically challenged and very diverse with different communication needs and preferences and that more can still be done in order to reach more of Prince Albert Municipality's residents. Dedicated support to this function should be prioritized and the ward committee policy should take cognizance of the respective engagements needs and practices of their communities.
- (xvii) Council took the lead in ensuring that their community is kept informed by hosting an one hour radio program on a local radio station, four times a week. This improved the overall knowledge of the community, supporting citizen capacitation. Other municipalities in the Central Karoo are now looking to follow this example of Prince Albert Municipality.
- (xviii) As no public comment on the draft Annual Report was received during the commentary phase, Council should in future undertake a roadshow as part of their feedback meetings to the community where the draft report can be highlighted.
- (xix) The clean audit audit obtained by the Municipality for the reporting period under review is something that Council, management and the community can be very proud of. Though the Annual Report still referred to an unqualified audit, this should be adjusted to reflect the Municipality's clean audit status. Management must ensure that all the necessary steps are taken to ensure that this clean audit status, is maintained in the current financial year.
- (xx) The MPAC wishes to congratulate Council, Management and staff with their performance in that regard during the reporting year and encourage them to work even harder towards obtaining a clean report in future.

## 5. COMMENTS AND SUBMISSIONS BY THE PUBLIC

The MPAC noted that no comments were received from the public and find this very disappointing. It is suggested that the Executive Mayor host a road show specifically highlighting the Annual Report content in future instances and that this be done in the second week after the adoption of the draft Annual Report.

## 6. RESOLUTIONS TO BE TAKEN BY COUNCIL

Council, having fully considered the Annual Report 2016/17 of Prince Albert Municipality and representations thereon, and subject to and with due regard to the observations and suggestions contained in this MPAC Report resolves:

- (a) To adopt the Prince Albert Municipality Oversight Report for 2016/17 in terms of section 129 of the Municipal Finance Management Act; and
- (b) To approve the Annual Report 2016/17 in terms of section 129 of the Municipal Finance Management Act without reservations but with the correction that the unqualified audit status reflected in the Annual Report be changed throughout to reflect their Clean Audit status.
- (c) That this report with all its annexures be submitted to the Auditor General, the Provincial Treasury and the Western Cape Department for Local Government and Housing in terms of section 129(2) of the MFMA.
- (d) That the implementation of measures recommended in section 4 of the Oversight report be investigated.
- (e) That the 2016/17 Oversight Report of Prince Albert Municipality be made public in terms of Section 129(3) of the MFMA and be submitted to the Western Cape Legislature in terms of Section 132(2) of the MFMA.

Approved as *bona fides* proof of discussions at the meeting.

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SIGNED AT PRINCE ALBERT ON THIS \_\_\_\_th DAY OF FEBRUARY 2018

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CLLR M Steyn (Chairperson)