**OVERSIGHT REPORT OF THE MPAC (MUNICIPAL PUBLIC ACCOUNTS COMMITTEE) ON THE ANNUAL REPORT OF PRINCE ALBERT MUNICIPALITY FOR THE FINANCIAL YEAR 1 JULY 2015 TO 30 JUNE 2016**

**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 2015/2016 Annual Report was tabled in Council on 24 January 2016, reporting on the Municipality's performance for the period 1 July 2015 until 30 June 2016. 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 2017.

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 2017.

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 2015/2016 Annual Report were awaited from the public from 24 January 2017 to 27 February 2017.

The Annual Report was **unfortunately not made available on Council's website** due to technical difficulties, but 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 for two hours and listeners were invited to comment and they were informed where to obtain said report.

Some input on the Annual Report was received from the Auditor General, see Annexure A. Said input were incorporated into the final Annual Report and considered by the MPAC on 13 March 2017. 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 L Botha (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.

1. **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.

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

The MPAC is satisfied that a Service Delivery and Budget Implementation Plan (SDB1P), that is the service delivery targets linked to performance contracts for senior management and staff below them, was duly approved by the Executive Mayor.

1. **ANNUAL REPORT 2015/2016**

**Observations and recommendations:**

The MPAC committee made the following observations and recommendations in respect of the Annual Report for the reporting year 1 July 2015 to 30 June 2016:

1. 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. Council should increase its maintenance allocation in future budgets and move from a re-active to a preventative maintenance program including the necessary checks and balances. Those workers using vehicles, plant, machinery, equipment or systems should be appropriate skilled. Negligent handling or damaging of the Municipal’s assets should be prevented and acted upon.
2. Council should furthermore improve its asset management through:

-developing and maintaining an asset register

-developing a proactive asset management program, inclusive of asset replacement, asset upgrading, asset rental, selling of unused assets, seeking alternative and innovative usages for assets not used by the Municipality.

1. 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 improve on its debt collection initiatives and it should request 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.
2. It is suggested that a longer term financial plan for Prince Albert Municipality be developed, taking into consideration accurate levies for services, debt collection and controlling mechanisms such as prepaid metering for electricity and water. It is imperative that Prince Albert Municipality needs to increase its own revenue to meet the objective of sustainability and to become less dependent on third party funding such as grants.
3. The capital expenditure of the Municipality was very low during the reporting year and management should make 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.
4. Council should ensure that Administration develops and manage a comprehensive Risk Register including: measures for preventing sub-standard or collapse of service delivery, disaster management, regulatory risk, financial risk, health and safety, political unrest and riots, governance, business continuity, etc. Managing these risks and frequently reporting on them should form part of the MM and Senior Management’s Critical Performance Areas.
5. 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. This situation is not sustainable! These inherent risks are evident in the Finance Department, the Technical Department and the Corporate Department, where recent internal audits highlighted some significant shortages. 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.
6. The MSCOA compliance burden is another example of the Municipality’s internal resource constraints as the Municipality does not posess of the financial resources to acquire a new financial accounting system, should the current Abakus system be found non-compliant, nor the human resources for implementing and maintaining said system.
7. 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.
8. 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 Treintjiesrivier) are undertaken the necessary goals and objectives, support, training, coaching and control mechanisms should be put in place in order to guarantee success.
9. Practical service delivery such as a clean environment with sufficient refuse bins in all neighborhoods and areas, the effective management of the refuse transfer stations as well as effective law enforcement of municipal by-laws, must underpin local economic development and social improvement. In this instance it is suggested that a dialogue be opened with relevant authorities to ensure that the enforcement of Prince Albert’s by-laws be prioritized. Keeping up law and order is a corner stone of a healthy and sustainable community. Council should develop partnerships with relative community structures to develop a common set of values in the community.

1. 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.
2. 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, requiring not only effectively managing the existing water resources, creating sufficient storage of a reserve, but also conducting a water audit;

- 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;

- registering the extended landfill sites;

- refuse removal and management;

- governing the use of land;

- 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;

- all aspects of basic service delivery should become compliant with applicable legislation and regulations;

1. The review of the ward committee system was done with the decision to provide supporting staff to the committee system with the aim to revisit the new policy’s effectiveness after a suitable time. This must be done in order to ensure effective public participation. When public comment and participation is required, Council must ensure a representative view is obtained. Early notification of public meetings and careful consideration of venues and media that are accessible and user friendly are key to success.
2. Council should be commended for the initiative to establish a satellite radio station for engaging with the community, especially those previously excluded from the sharing of information. The two-hour long program on the Annual Report was widely welcomed by listeners and provided a much better understanding of the Municipality’s performance, the community’s oversight role and challenges experienced by Council. It is however true that the Prince Albert community is geographically challenged and very diverse with different communication needs and preferences and that more should be done in order to reach more of Prince Albert’s residents.
3. The unqualified audit obtained by the Municipality for the reporting period under review is noted. 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.
4. The Prince Albert Municipality is challenged to deliver **quality basic services consistently and affordably**. Transforming previously disadvantaged communities should be balanced with economic and socio economic development across the whole community, at the same time preserving and upholding the rich history, cultural assets and unique character of Prince Albert. Achieving this requires an enabling and ethical Administration that is effective and efficient, displaying the values of equity, fairness, opportunities for all and good governance. Prince Albert’s Municipality should strive to offer its residents an orderly and a safe environment within which each can live, learn, grow, work, develop to full potential.
5. **COMMENTS AND SUBMISSIONS BY THE PUBLIC**

The MPAC noted the comments received from the Auditor General on the Annual Report for the year 1 July 2015 to 30 June 2016, as attached as Annexure B. Said input had been considered and incorporated in the Annual Report.

7. **RESOLUTIONS TO BE TAKEN BY COUNCIL**

Council, having fully considered the Annual Report 2015/16 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:

1 To adopt the Prince Albert Municipality Oversight Report for 2015/16 in terms of section 129 of the Municipal Finance Management Act; and

2 To approve the Annual Report 2015/16 in terms of section 129 of the Municipal Finance Management Act without reservations.

3 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.

1. That the implementation of measures recommended in section 6 of the Oversight report be investigated.
2. That the 2015/2016 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.

SIGNED AT PRINCE ALBERT ON THIS \_\_\_\_th DAY OF MARCH 2017.

CLLR L BOTHA (Chairperson)