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South African Local Government Association

*Welcome...*

# MPAC Training Eastern Cape

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# ENHANCED OVERSIGHT

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## ENHANCED OVERSIGHT

### Introduction:

- LGTAS: clean, effective, efficient, responsive and accountable LG
- Structures need to be effective (smaller municipalities?)
- Oversight: reviewing and monitoring the executive
- MFMA requires oversight over executive
- Oversight and accountability helps to ensure that executive implements programmes and plans consistent with policy, legislation and the Constitution
- Section 79 of Structures Act allows for committees of the council directly reporting to council
- Section 59 of Systems Act allows delegations to council structures



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## ENHANCED OVERSIGHT

### Internal oversight

- oversight of municipal administration done by Internal Audit division and Audit Committee

### Internal Audit

- sect 165 of MFMA requires internal audit unit
- prepare risk based audit plan and internal audit programme for each year
- report to accounting officer (MM) and audit committee on implementation of internal audit plan



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### Internal Audit (Cont.)

- report to accounting officer (MM) and audit committee on matters related to:
  - internal audit
  - internal controls
  - accounting procedures and practices
  - risk and risk management
  - performance management
  - loss control
  - compliance with MFMA, Division of Revenue Act and other legislation
- perform such other functions as may be assigned by the accounting officer
- ensure compliance with King III



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## ENHANCED OVERSIGHT

### **Audit Committee**

- section 166 of MFMA requires each municipality to have audit committee
- independent advisory body appointed by the council based on expertise
- at least three persons, with majority not employed by municipality
- no councillor may serve on audit committee
- reports directly to the council (sect 79 committee)

### **Functions of Audit Committee:**

- review the annual financial statements to provide a view on the financial position of the council, effectiveness and compliance with the MFMA and other legislation



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### Functions of Audit Committee (Cont.):

- advise the council, accounting officer and staff on the following matters:
  - internal financial control and internal audits
  - risk management
  - accounting policies
  - adequacy, reliability and accuracy of financial reporting
  - performance management
  - effective governance
  - compliance with the MFMA and other legislation
  - performance evaluation
  - any other issues referred to it by the municipality



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### Functions of Audit Committee (Cont.):

- Interrogate and advise on the following additional matters:
  - identification of strategic risks
  - establishment and maintenance of municipal risk register
  - management and mitigation of risks
  - implementation and effectiveness of performance management system
  - evaluation of the actual performance of the municipality
  - municipal responses to A-G report
  - loss control





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# Municipal Public Accounts Committee (MPAC)

## General

- Executive oversight is oversight over the “executive” of the municipality
- MPAC is a sect 79 committee
- all municipalities encouraged to establish MPACs
- MPACs to be effective, capacitated and strengthened
- effective oversight improves efficiency of municipality and lead to effective service delivery



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## ENHANCED OVERSIGHT: MPAC

### **Establishment, appointment and general functioning of MPAC**

- established by council by way of council resolution
- main function is to perform oversight over executive functionaries and good governance, other as determined by council
- functions must be formally delegated to MPAC i.t.o Systems Act
- procedures and rules of order to be determine when established
- number of MPAC members not prescribed, to be agreed upon and members then elected to reflect the parties and interests in the council
- chairperson elected by the council



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## ENHANCED OVERSIGHT: MPAC

### **Establishment, appointment and general functioning of MPAC (Cont.)**

- council may allow MPAC to co-opt advisory members based on expertise
- meetings of MPAC to be open to the public
- human and financial resources to be made available to MPAC
- agendas and minutes to be prepared and delivered timeously
- meetings to be held at least 4 times per year
- MPAC reports directly to the municipal council, Chairperson liaise with Speaker for inclusion of reports in council agendas



## ENHANCED OVERSIGHT: MPAC Terms of reference

# Terms of reference of MPAC

**Interrogate the following financial aspects dealt with in the MFMA:**

- unforeseen and unavoidable expenditure (29)
  - adjustment budget
- unauthorised, irregular or fruitless expenditure (32)
  - certification, recovery, writing off of expenditure
  - Criminal and civil action instituted
- quarterly report by the mayor on the implementation of the budget /SDBIP (52(d))
  - recommendations on adjustments and other matters
- monthly budget statements (71)
  - recommendations on report



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## ENHANCED OVERSIGHT: MPAC Terms of reference

### **Interrogate the following financial aspects dealt with in the MFMA (Cont.)**

- mid-year budget and performance assessment (72)
- mid-year budget and performance assessment of municipal entities (88)
- disclosures concerning councillors, directors and officials (124)
  - salaries, allowances and benefits of political office bearers and councillors
  - arrears in excess of three months owed by councillors
  - salaries, allowances and benefits of MM, CFO and senior managers
  - salaries, allowances and benefits of board of directors of municipal entities
  - Salaries, allowances and benefits of CEO and senior managers of mun. entities
- submission and auditing of annual statements (126)
  - monitor that it has been prepared and submitted



## ENHANCED OVERSIGHT: MPAC Terms of reference

### **Interrogate the following financial aspects dealt with in the MFMA (Cont.)**

- submission of the annual report (127)
  - monitor that it has been submitted alternatively explanation why not submitted
- oversight report (129)
  - prepare draft report
  - consider all representations made to the council
  - members of public allowed to address the committee
- issues raised by the A-G (131)
- ensure a fully functional audit committee is appointed (166)
- disciplinary action instituted in terms of the MFMA



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## ENHANCED OVERSIGHT: MPAC Terms of reference

### **Interrogate the following aspects dealt with in the Systems Act:**

- review of the IDP post election if required (25)
- annual review of the IDP (34)
- performance management plan (39)
- monitoring that the annual budget is informed by the IDP (Reg 6)
- monitor that all declaration of interest forms are completed by councillors on an annual basis (54 read with Schedule 1)

**MPAC to prepare an annual work plan for approval by the municipal council prior to the beginning of the financial year.**



## ENHANCED OVERSIGHT: MPAC Delegations

### Delegations to the MPAC

- The authority to interrogate the following documents and to make recommendations to the municipal council:
  - unforeseen and unavoidable expenditure
  - unauthorised, irregular or fruitless and wasteful expenditure
  - SDBIP
  - monthly budget statements
  - mid-year budget and performance assessment
  - mid-year budget and performance assessment of municipal entities
  - disclosures concerning councillors, directors and officials
  - annual financial statements
  - annual report





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## ENHANCED OVERSIGHT : MPAC Delegations

- **The authority to interrogate the following documents and to make recommendations to the municipal council (Cont.):**
  - issues raised by the A-G in the audit reports
  - the appointment of the audit committee
  - the review of the IDP post elections
  - the annual review of the IDP
  - performance management plan
  - the draft annual budget with reference to the approved IDP
  - declaration of interest forms submitted by councillors



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## ENHANCED OVERSIGHT: MPAC Delegations

- the authority to consider all presentations made by the community on the annual report and the authority to have interviews with members of the community to obtain input on the annual report, as well as the authority to prepare the draft oversight report over the annual report
- the authority to instruct any member of the executive or the municipal manager to provide the MPAC with copies of documents to be dealt with by the committee in terms of its terms of reference
- the authority to instruct any member of the board or the CEO of a municipal entity to provide the MPAC with copies of documents to be dealt with by the committee in terms of its terms of reference
- the authority to obtain legal, technical and other specialised assistance required to exercise its functions and duties within the budget approved for the committee and subject to the supply chain management policy where applicable.



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## ENHANCED OVERSIGHT: MPAC

### Conclusion:

- municipalities encouraged to establish MPACs
- effective oversight will ensure confidence of residents in municipality
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# Thank you