



**Western Cape  
Government**

Provincial Treasury

**BETTER TOGETHER.**

# **IMPROVING FINANCIAL OVERSIGHT WITH A PRACTICAL APPROACH TO MPACS/ OVERSIGHT INSTITUTIONS**

CFO FORUM LEKGOTLA  
10-11 December 2012

# PURPOSE OF MPAC

- **The MPACs' primary purposes are:**
  - ❖ To serve as an oversight to determine the effective institutional functionality of the municipal council and municipality;
  - ❖ To monitor good governance where there is optimal utilisation of the municipalities resources to enhance and sustain service delivery and financial management;
  - ❖ To ensure that the outcomes of its oversight function enable the municipal council and municipality to implement and manage remedial measures so as to realign the good governance requirements;
  - ❖ To undertake its work in an independent and non partisan manner over the executive of the municipal council.
- **The MPACs will assist council to hold the executive and municipal entities to account, and to ensure the efficient use of municipal resources.**

# INSTITUTIONAL CONTEXT

- The MPAC is established in terms of section 79 of the Municipal Structures Act and performs an oversight function on behalf of council and is not a duplication of other committees of council, such as the Finance Committee or that of the Audit Committee.
- The MPAC will undertake and manage similar functions and responsibilities for municipalities, as undertaken by the Standing Committee on Public Accounts in the national and provincial legislatures, except for certain powers regarding subpoena of individuals.
- In the case of any irregular expenditure or any fruitless and wasteful expenditure incurred by the municipalities or municipal entities, the MPAC will have the right to call upon the accounting officer of the municipality or the chairperson of the municipal entity's board of directors to appear before it to provide information or clarity.

# INSTITUTIONAL CONTEXT

- The MPAC may engage directly with the public and consider public comments when received and will be entitled to request for documents or evidence from the Accounting Officer of a municipality or municipal entity.
- MPAC can request the support of both the internal and external auditors (advisory) when necessary. It should be noted that the standard rules for the council apply to MPAC.
- The committee shall have permanent referral of documents as they become available:
  - In-year reports;
  - financial statements;
  - audit opinion, other reports and recommendations from the Audit Committee;
  - information relating to compliance in terms of sections 128 and 133 of MFMA;
  - information in respect of any disciplinary action taken in terms of the MFMA ;
  - any other audit report from the municipality or its entities; and
  - performance information of the municipality and municipal entities.

# FUNCTIONS OF MPACs

- To consider and evaluate the content of the annual report and to make recommendations to Council;
- To review information relating to past recommendations made on the Annual Report.
- To examine the financial statements and audit reports of the municipality and municipal entities by considering improvements from previous statements and reports;
- To promote good governance, transparency and accountability on the use of municipal resources;
- To recommend any investigation in its area of responsibility, after reviewing any investigation report already undertaken by the municipality or the Audit Committee; and
- To perform any other functions assigned to it through a resolution of council within its area of responsibility.

# FUNCTIONS OF MPACs

- **MPACs must understand the responsibilities, functions and duties of the following committees and establishments:**
- **Budget and Treasury Steering Committee**
  - ❖ Manages budget process on behalf of council.
- **Internal Audit and Audit Committee**
  - ❖ Undertake the internal regularity audit. Draft quarterly reports
- **Budget and Treasury Office**
  - ❖ Manages the municipality's finances and provides planning, implementation and reporting on municipal finances
- **Supply Chain Management (SCM) committees**
  - ❖ Responsible to undertake and manage all procedures for the acquisition of goods and services

# COMPOSITION AND MEMBERSHIP OF MPACs

- The MPAC, similar to other committees of council should comprise solely of councillors appointed by resolution of a full council meeting
- However, the committee may invite representatives of the community and co-opt members of the public who have expertise in relevant specific fields to assist and advise in the deliberations when the need arise.
- These representatives will have no voting rights as they are not elected councillors.
- The MPAC shall comprise of councillors excluding any councillor who is serving as Executive Mayor or Deputy Executive Mayor, Mayor or Deputy Mayor, Speaker, Chief Whip, a member of Mayoral Committee, a member of the Executive Committee.
- Where the municipality has a sufficient number of councillors, councillors serving on the MPAC should preferably not serve in other Committees of Council to minimize possible conflict of interest.

# COMPOSITION AND MEMBERSHIP OF MPACs

- The actual size of the MPAC will be determined by the number of councillors in the municipality:
  - ❖ municipalities with less than 15 councillors may nominate up to 5 councillors;
  - ❖ municipalities between 15-30 councillors may nominate up to 9 councillors;
  - ❖ municipalities between 31-60 councillors may nominate up to 11 councillors; and
  - ❖ municipalities with more than 60 councillors may nominate up to 13 councillors.
- Care should be taken that councillors represent a wide range of experience and expertise available in council and represent various political affiliations.
- Councillors serving on MPAC should be appointed for a term which corresponds to the term of sitting Council.



# CHAIRING OF MPAC

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- The Chairperson of the Committee is to be appointed by Council Resolution.
- When appointing the Chairperson of the Committee, Council must take into consideration the requirements of transparency, ethical behaviour and general good governance prescripts.
- In deciding on the Chairperson, the Council may consider appointing councillors from parties other than the majority parties in Council.
- The Council may consider making the position of Chairperson of the Committee full-time via a request to the MEC for local government.

# MPAC WORK PROGRAMME

- MPAC must develop its work programme annually and link such programmes to the overall planning cycle of council
- It must conclude with the evaluation of the annual report and the recommendations to Council when adopting the Oversight Report on the Annual Report.
- The annual work programme must be approved by Council.
- The MPAC work plans and scope of work must be based on executive budget cycles.
- To be effective, an MPAC must have good understanding of:
  - ❖ priorities of the municipality;
  - ❖ key programmes aimed at giving effect to the priorities;
  - ❖ achievement of targets related to each of the priorities; and
  - ❖ Status of budget execution for each vote.
- Members of the public and media should be allowed into MPAC hearings

# MPAC WORK PROGRAMME

- The MPAC will need to consider the following key strategic documentation in its work:
  - ❖ Medium Term Revenue Expenditure Framework (MTREF) budget
  - ❖ Integrated Development Plan (IDP)
  - ❖ Service Delivery Budget Implementation Plan (SDBIP)
  - ❖ Monthly section 71 reports
  - ❖ AGSA Key Control Dashboards
  - ❖ Mid-year performance report – Section 72
  - ❖ Annual reports and oversight reports
  - ❖ Final audit report
  - ❖ Knowledge of all MFMA circulars
  - ❖ Performance agreements of MM and Senior Managers

# MPAC MEETINGS AND REPORTING

- A minimum of four (4) meetings in a financial year must be held or as may be necessary in accordance with the approved work programme.
- The MPAC will report to council on the activities of the committee.
- The committee must discuss and adopt its report for Council in accordance with the procedures for tabling matters in council defined in the standing rules of council.
- The MPAC should report to full council at least quarterly and may bring items before Council as and when necessary.
- The full Council should deliberate on the recommendations from the MPAC, at a meeting open to the public, and must reach finality in the shortest possible time.
- Council must evaluate the performance of MPAC on an annual basis.
- The committee shall develop a monitoring mechanism in line with the approved work programme to determine if actions have been taken to implement its recommendations.

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# The End