



Department of
Local Government and Traditional Affairs
— KwaZulu-Natal Provincial Government —

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STANDING COMMITTEE ON PUBLIC ACCOUNTS IN MUNICIPALITIES

(MUNICIPAL SCOPA)

TERMS OF REFERENCE

PURPOSE

The purpose of this framework is to propose the establishment of a Standing Committee on Public Accounts in Municipalities, referred to as the **Municipal SCOPA**.

INTRODUCTION

A review of the performance of Local government has highlighted the issue of weak accountability mechanisms. The legislation governing the local government sphere creates a favorable environment for the creation of a local government structure(s) that can adequately deal with local government fiscal accountability in an approach similar to that of the provincial and national Standing Committee on Public Accounts (SCOPA). Such an equivalent municipal structure would be mandated to deal with financial and related management aspects of municipalities.

The intention behind this framework is to provide a guideline to enhance executive accountability and Councilor oversight responsibilities at a local government level as recommended by Section 129 of the Municipal Finance Management Act (MFMA) (No 56 of 2003) as well as required by the Constitution, the Municipal Systems Act and sections 33 and 79 of the Municipal Structures Act (1998). MFMA Circular No 32 also serves as reference.

OVERSIGHT

The municipal environment has an external oversight component, whereby the municipality is held accountable to the Communities, the Provincial Government which performs a monitoring role and to National Government on a high level in terms of sector plans and conditional grants. Internal oversight in the local government context refers to the crucial role of Council in the monitoring and evaluation of actions of the administration and executive organs of the municipality.

Effective oversight and accountability is largely dependant on distinctive roles for different structures and sub components within Council. Council oversees the performance of the administration through a specific committee that scrutinizes activities and outcomes in regular meetings.

The oversight structure must have a distinctive role determined in line with clear legislative mandates. The oversight role includes the identifying of factors and reasons for certain outcomes and subsequently taking appropriate action particularly where serious financial problems persist.

Considering there is a need for enhanced financial management oversight capacity, it is therefore recommended that an oversight committee is established with functions similar to a SCOPA within municipalities.

The Municipal SCOPA must report directly to Council through the Speaker as any other form of reporting line will compromise the committee's independence, authority and integrity.

FUNCTIONS

The Municipal SCOPA performs an oversight function on behalf of Council and is not a duplication of, and should not be confused with the internal audit committee or the finance portfolio committee.

The internal audit committee is an independent advisory body that advises Council and the executive on financial and risk matters and can act as an advisory body to the Municipal SCOPA.

The finance portfolio committee deals with financial management issues such as budgetary, revenue and expenditure management and supply chain management.

The primary function of the Municipal SCOPA is to assist Council to hold the executive and the municipal administration to account and to ensure the effective and efficient use of municipal resources. It will execute this function by reviewing public accounts and exercising oversight on behalf of the Council.

It is however important that good working relationships are developed between the Municipal SCOPA and the other committees. Whilst guarding its independence, the Municipal SCOPA should have the right to refer or receive matters from the other committees.

It is recommended that the committee examines the following:

- Financial statements of all executive organs of Council
- Any audit reports issued on those statements
- Any reports issued by the Auditor General on the affairs of any municipal entity
- Any other financial statements referred to the committee by Council
- The annual report on behalf of Council and make recommendations to Council thereafter

The committee may also:

- Report on any financial statements or reports to Council
- Initiate and develop the annual oversight report based on the annual report

- Initiate any investigation in its area of competence
- Perform any other function assigned to it by resolution of Council

When examining financial statements and audit reports, the committee must consider improvements from previous statements and must monitor the extent to which the committee's and the Auditor General's recommendations are implemented.

The outcomes and the resolutions taken by this committee must be reported to Council and made public.

STRUCTURE AND MEMBERSHIP

A Municipal SCOPA, similar to other Council committees, should comprise solely of Councilors appointed by a full Council meeting. It is imperative that members represent a wide range of experience and expertise available in Council and political representivity should also be taken into consideration.

The size should be determined according to the size of Council. It should range between a minimum of 5 to a maximum of 12 members.

The Mayor and members of the Executive Committee are not allowed to be members of the Municipal SCOPA.

The committee may invite members of the public or experts in relevant fields to assist and advise in its deliberations when the need arises.

CHAIRING THE COMMITTEE

This framework recommends that the appointment of the chairperson of the Municipal SCOPA must take into account the requirements of transparency, ethics and general good governance prescripts as well as local government legislature.

In keeping with the general tradition of oversight, the Council may consider whether a member of an opposition party may chair the committee. However ultimately this is a policy decision to be made by Council.

SUCCESS OF THE COMMITTEE

Primarily in order for the Municipal SCOPA to work effectively, it must possess integrity and a degree of authority. The committee must contain the powers and means to scrutinize all relevant information, as access to information is one of the key determinants of oversight effectiveness.

In addition, politically, the establishment of the Municipal SCOPA must be a shared vision and commitment and must be considered a critical component of developing good and credible local governance.