



MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

OVERSIGHT REPORT ON

ANNUAL REPORT 22/23

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1. INTRODUCTION

The LG Municipal Structures Act No. 117 of 1998 as amended establishes committees of council in terms of section 79 and section 80 thereof for effective and efficient performance of any of the council functions or exercise of any of its powers. The Municipal Finance Management Act No 56 of 2003 assigns specific oversight responsibilities to Council regarding the Annual report and preparation of the oversight report as well as ad hoc functions.

The National Treasury **MFMA CIRCULAR 32** specifically sets out practical guidance to Council and Councillors in maintaining the oversight role in the local government:

Council is vested with the responsibility to oversee the performance of their respective municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). This oversight responsibility of council is particularly important for the process of considering annual reports. Whilst, in the first instance it is left to the mayor or the Executive Committee to resolve any performance failures, ultimately the council is vested with power and responsibility to oversee both the executive and administration.

Given the processes required by Council to effectively undertake its oversight role on the annual report, establishment of the MPAC of Council would provide appropriate mechanism in which Council could fulfil its oversight responsibility. The Municipal Public Accounts Committee is one such committee at the Winnie Madikizela-Mandela Local Municipality.

2. BACKGROUND

The oversight role of Council is an important component of the financial reforms and it is achieved through the separation of roles and responsibilities between Council, the Executive and Administration. Good governance, effective accountability, and oversight can only be achieved if there is a clear distinction between the functions performed by the different role players. Non - executive Councillors are required to maintain oversight on the performance of specific responsibilities and delegated powers that they have given to the Executive. In other words, in exchange for the powers in which Council has delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance and non-performance of the Municipality. The Municipal Finance Management Act, No 56 of 2003 vests in Council specific powers of approval and oversight:

- Approval of Budgets
- Approval of budget related Policies
- Review of the Annual Report and adoption of the Oversight Report

3. FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) OVERSIGHT COMMITTEE

The functions of the Oversight Committee are to: -

1. Undertake a review and analysis of the Annual Report
2. Invite, receive and consider inputs from Councillors and Portfolio Committees, on the Annual Report
3. Consider written comments received on the Annual Report from the public consultation process
4. Conduct Public Hearings to allow the local community or any organs of state to make representations on the Annual Report
5. Receive and consider Councils Audit Committee views and comments on the Annual Financial Statements and the performance report
6. The Preparation of the draft oversight report, taking into consideration, the views and input of the public, representative(s) of the Auditor- General, organs of state, Council's Audit Committee and Councillors.

4. COMPOSITION OF THE OVERSIGHT COMMITTEE (MPAC)

4.1 Members

MPAC is a committee of Council establishes under section 79 of the Municipal Structures Act, 1998.

The Mayor, any member of the Executive Committee, Speaker, Whip of Council and Municipal Officials are not allowed to be members of MPAC.

The members of the Winnie Madikizela- Mandela Local Municipality's MPAC are listed hereunder

- | | | |
|-----------------------|--------------------|-----|
| 1. Cllr N.P. Mavundla | - Chairperson | (F) |
| 2. Cllr A Maquthu | - Committee Member | (M) |
| 3. Cllr Z H Dyarvane | - Committee Member | (M) |
| 4. Cllr N Sikibi | - Committee Member | (F) |

5. Cllr K Zinya	- Committee Member	(M)
6. Cllr B.W Mangqalaza	- Committee Member	(M)
7. Cllr P Nophinga	- Committee Member	(M)

4.2 Authority and Powers

The MPAC is delegated the responsibility to conduct meetings and to hold public hearings to receive and hear public submissions on the Annual Report on behalf of Council.

Timely notice of all meetings should be given, and minutes of the meetings must be submitted to Council meetings.

5. THE OVERSIGHT (MPAC) REPORT PROCESS

The Annual Report 2022/2023 financial year was tabled before Municipal Council on the 30 January 2024 in terms of Section 127 (2) of the Municipal Finance Management Act (MFMA) No 56 of 2003, which provides that *"The Mayor of a Municipality must, within seven (7) months after the end of the financial year, table in the Municipal Council the Draft Annual Report of the Municipality"*.

The Municipal Council further resolved that the report be referred to MPAC for Oversight.

Section 121(1) of MFMA states: "Every Municipality must each financial year prepare an Annual Report. The council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129 that the Council must within two (2) months after the Annual Report has been tabled, considers the report and produce an Oversight report on the Annual Report.

The Annual Report has been compiled in accordance with the statutory provisions of MFMA Section 121 and in accordance with the guidelines contained in the MFMA Circulars No 11, 32 and 63 and it was tabled before the Council in accordance with section 127 provisions.

Following the noting of the Draft Annual Report 2022/2023 by Council, it was made available for inputs and comments from public, Councillors, Officials and Stakeholders. The report was advertised on municipal website and all role players were given the opportunity to comment. A copy was made accessible at the Mbizana Library. The Municipal Manager also submitted the Annual Report to the Auditor General, National

Treasury and Provincial Treasury and Department of Cooperative Governance and Traditional Affairs, Eastern Cape Province.

6. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING

On the 14 and 15 February 2024 an MPAC oversight session with the Senior Management and some invited portfolio heads councillors was convened to review, analyse and discuss Audit Report and Audit Corrective Action Plan and Annual Report 2022/ 2023 FY and the following matters were raised and noted.

7. AUDIT REPORT 2022 / 2023 AND CORRECTIVE ACTION PLAN

The audit report was tabled before municipal council on the 30 January 2024 and was further interrogated during oversight session held on the 14 February 2024.

The Auditor General in its opinion reported that the financial statements of the Municipality were presented fairly in all material aspects for the financial position of the Municipality as at 30 June 2023 and its financial performance and cashflows for the ended year in compliance with all legislation, GRAP, MFMA and Dora requirements.

Matters of emphasis and others as raised were identified as follows:

1. Material impairments – Impairments relating to receivables from exchange transactions (irrecoverable debts), non-exchange transactions.
2. Restatement of corresponding figures – The corresponding figures for comparative year were restated as a result of an error in the financial statements of the Municipality

The total number of issues raised to be addresses the corrective action plan were 33 categorised as follows:

- 23 affecting financial information
- 4 compliance related
- 3 internal control deficiencies and
- 3 performance reporting

Below is a synopsis of discussed findings in respect of issues raised on the report by the Auditor General:

1. Inaccurate Cost per completion certificate

Completion Certificates with different amounts compared to BOQ, Clarity was sought by the Committee on whether to date has there been any remedial measures that have been introduced to rectify the variances/ differences; whether the root cause of the variances have been identified, also can these errors be as a result of negligence of project managers and if so what plan is in place to ensure that the same discrepancy is not repeated.

Response: Management acknowledges that there has been a gap in the review of completion certificates versus the work done. It was noted from the response that sometimes the variance is as a result of savings in the quantities scheduled in the BOQ, as well as instructions for additional works (variations authorised. Another gap identified was that the completion certificate was signed by the Senior Manager, there were no additional signatures for middle managers as well as the engineer for quality assurance. A completion certification has been modified to have the three signatories (Senior Manager, Middle Manager and Engineer)

Having noted the measures instituted to address the action plan in addressing issues raised by the Auditor General, the committee

RECOMMENDED:

- That Council **NOTE** that Municipal Public Accounts Committee will review the progress report whether is successful in resolving the issues raised.

2. Review of Annual Financial Statements

Almost late submission of AFS – Clarity was sought why the submission was almost late, what caused the delay in that the deadline was almost missed.

Response: Infrastructure assets (Fixed asset register) which needed unbundling were not correlating, the actual work done. Contributing factor to the late submissions was the inaccurate cost per completion certificate. Management has introduced a revised completion certificate which will assist in addressing the issue.

Having noted the measures instituted to address the action plan in addressing issues raised by the Auditor General, the committee

RECOMMENDED

- That the Standing Committee Engineering and Standing Committee BTO ensure effective oversight of the measures implemented / introduced by the department to address the issue.

3. Land fill site: Omission of prior period error adjustment

Majazi Landfill Site and Current Dumping site – The committee noted that the issue on the current dumping site poses a huge risk in the next upcoming audit and solicited solutions from Management on how to tackle the issue and also enquired whether Management has alternative solutions to address the issue.

Response: Management indicated that by July 2023 a service provider for fencing as part of phase 1 (construction of Majazi Landfill site) was appointed and a s such ready to commence with the fencing, but the Majazi Community through the land committee stopped the service provider from assuming within the fencing. Several meetings took place to address the matter but in vain. The Department of Economic Development, Environmental Affairs and Tourism was engaged for the purposes of licensing the current EXT 3 Dumping site as a buffer while, so consultant has been appointed to conduct specialist studies and conduct environmental impact assessment (EIA)process.

Having noted the Managements response, the committee

RECOMMENDED

- That the Standing Committee Community Services ensure effective oversight on Majazi Landfill Site and the licensing process of Ext 3.
- That the oversight report on Majazi Landfill site be submitted to Council on a quarterly basis.

4. AOPO: Differences between Listings and APR

The Auditor General noted that the quarterly reports included targets which are not annual targets. There is no recording of data from Quarterly Reports to the APR.

Response: Management indicated that it will conduct SDBIP reviews to ensure alignment and will undertake to conduct PMS workshops to ensure that PMS is taken seriously by departments.

Having noted the response from Management, the Committee

RECOMMENDED:

- That Council **NOTES** that the Municipal Public Accounts Committee will monitor the APR through quarterly progress reports

5. Expenditure not paid within 30 days

The Committee sought clarity on the failure to pay within 30 days as regulated. What mechanisms are in place to ensure that Service providers are paid within the regulated time frames.

Response – It was noted that the supplier was non-tax compliance on the date the invoice was submitted and received by municipality as per CSD report and municipality opted not to pay the supplier until such non-tax compliance status is corrected by the supplier. AG was satisfied with the explanation and proof of documentation provided.

Having noted the response from Management, the Committee

RECOMMENDED:

- That Council **NOTES** that the Municipal Public Accounts Committee will monitor that payments are done within the regulated time frames through quarterly progress reports.

8. OVERSIGHT ON ANNUAL REPORT 2022/ 2023 FY

The Annual Report was prepared in compliance with Section 46 (1) of the MSA No.32 of 2000 read with Section 121 (1) of the MFMA No. 56 of 2003 which requires every municipality to prepare an Annual Report for each financial year which must be dealt with by council within nine months after the end of the Financial Year.

The AR was also done in line with MFMA Circulars 11 and 63 which are providing guidance to municipalities / municipal entities for the preparation of the Annual Report so as to improve on the quality of Annual Reporting.

The report provided a record of the activities of the municipality during the 2022/2023 financial year; report on performance in service delivery and budget implementation for the financial year; to promote accountability to the local community for the decisions made throughout the year by the municipality.

8.1. KEY COMPONENTS OF THE ANNUAL REPORT

As stipulated in the MFMA Circular 63 the Annual Report is covering the following key components: -

Chapter 1: Mayor's Foreword and Executive Summary

Chapter one (1) provided an introduction and overview of the municipality / municipal entity to the reader. This chapter provides the key decision-makers – both on political and administrative level – with the opportunity to provide an overview of the functions, geographical area and performance of the specific municipality / municipal entity.

Chapter 2: Governance

The chapter detailed the Governance Structures, Administrative Governance, Intergovernmental Relations, Public Participation and Accountability, Corporate Governance.

Chapter 3: Service Delivery Performance

The chapter contained the service delivery in terms of what has been achieved and what remains outstanding and it considers municipal performance derived from IDP objectives, translated into the SDBIP and presents data on Community needs and resources deployment.

Chapter 4: Organizational Development Performance: Chapter four addressed information pertaining to the implementation of the institutional performance management system, organisational development and performance of a municipality in order to identify skills gaps and plans for the development of such skills.

Chapter 5: Financial Performance

The overview of the financial performance of the municipality was detailed in this chapter covering the following areas: -

- Statement of Financial Performance
- Spending against Capital Budget
- Cash flow Management and Investment

- Other Financial Matters

Chapter 6: Auditor General's Findings;

Chapter 6 provided the Auditor-General Report of the previous financial year including the details on issues raised by the AG during the previous financial year's audit and remedial actions and preventative measures taken to address the issues.

Appendices

- Ward reporting
- Purpose of council committees
- Audit action plan

Volume II: AFS

As per the provisions of Section 67(1)(a)(iv) of the MFMA the Audited Financial Statements for the financial year under review has been reported on detailing the financial position of the institution.

8.2. Discussions

Equal distribution of wards on housing projects was a concern on the report.

When having planned to support 5 farmers, how did we end up supporting 41 projects.

Response: number was increase due to council intervention budget to farmers who were affected by disaster.

8.3. CHECKLIST ACTIVITY

Checklist of contents of annual report was conducted by three groups, the following was recommended to be added before submission of final annual report to Council.

- Purpose of MPAC Committee
- Municipal By laws to indicate year of gazetting and /or approval by the Council
- Public Satisfaction on Municipal Services not on the report
- Need to add challenges and measures to the address the reported problems/ petitions.
- Financial interest disclosure is required even if posts were occupied for part of the year.
- Conditions not included, rand value combined into one amount.

8.4. PROJECT VERIFICATION

MPAC Committee members conducted project verification on the 21-23 February 2024 against the reported projects on the draft annual report.

8.5. OBSERVATIONS AND FINDINGS OF THE COMMITTEE

The committee noted that the overall road construction and maintenance /rehabilitation roads were done satisfactory even though some were affected by heavy rains of December 2023 and January 2024 but still accessible. There were few issues to be considered by Council and management.

- Construction of the Civic Centre - Project still under construction but not possible to be completed by end March 2024 as per the request for extension by the contractor.
- Mphuthumi Mafumbatha Stadium – using of the stadium whilst construction is continuing affects the condition of the project.
- Construction of security guard house at DLTC - Project completed, furniture should be provided for personnel and well as time book.
- Construction of Sixhanxeni gravel access road - Road satisfactory only management to attend the issue of water drainage that is taking water to homestead.
- Construction of Sidanga gravel access road with bridge and construction of concrete slab – management needs to attend to the issue of project being halted, Slab has gaps in between, Project supposed to have 2 bridges second one has not commenced which will affect the completion period of the project.
- Rehabilitation of Mhlambi Access Road – road constructed but there is a need for a slab.
- Rehabilitation of Bazana gravel access road & Bridge – management to attend to rubble that needs clearance on sides and under the bridge which affect water flow.
- Rehabilitation of Matshezini gravel access road & Bridge – road satisfactory only affected by rain stones are shifting from the bridge.

- All LED projects visited deliverables for support were found on the projects and appreciation was extended by beneficiaries.
- Life guards and Dumper wave projects appreciated the support and further shared that they need additional life savers as they organize people from KZN during pick season.

RECOMMENDATIONS

- Projects upon completion must be handed over to avoid vandalism e.g. ECDC in Ward 13.
- Management to hold a meeting with Taxi Association and Hawkers Association on the cleanliness along Civic Centre on their side.
- LED to assist the life guards' sector in conducting awareness campaigns starting with wards with beaches and closer to wild coast.

Upon interrogation of the entire oversight report the Committee, **RECOMMENDED** as follows:

On the motion of Councillor K Zinya seconded by Councillor A Maquthu it was recommended that:

1. The Oversight Report on the Annual Report 2022/2023 financial year be considered and approved by Council.
2. The Annual Report 2022/23 Financial Year complies with the MFMA, Municipal Systems Act and all the guiding Circulars and Checklist issued by National Treasury and CoGTA, and therefore
3. The Annual Report 2022/2023 be approval by the Municipal Council without reservations.

Signed by



Clir N P Mavundla
MPAC Chairperson