

# MUNICIPAL PUBLIC ACCOUNTS COMMITTEE



## OVERSIGHT REPORT 2021/2022 FINANCIAL YEAR

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## OVERSIGHT REPORT

### **Officials (Directors):**

<b>NAME</b>	<b>POSITION</b>
Mr. S.G Khuzwayo	Municipal Manager
Ms. N Mngomezulu	Chief Financial Officer
Mr. VP Zulu	Director: Corporate Services
Mr. D. Mbongwa	Director Economic Development, Planning and Human ` Settlement
Mr. K. Gumede	Director: Infrastructure Development and Technical Services
Ms. L. Kutwana-Gomana	Director: Community Services and Public Safety

### **Officials (Management involved in the oversight process)**

<b>NAME</b>	<b>POSITION</b>
Mr. S. Khuzwayo	Municipal Manager
Mr. S. Ndlovu	Manager: Performance, Monitoring and Evaluation
Ms. T Ramlall	PMS Clerk
Mr. PS Manqele	Chief Audit Executive

### **Municipal Public Accounts Committee members:**

<b>NAME</b>	<b>POSITION</b>	<b>PARTY</b>
Cllr. Sifiso Shandu	Chairperson	ANC
Cllr. Dumisani Mthembu	Councillor	ANC
Cllr. Sibongile Nkwanyana	Councillor	EFF
Cllr. Siphephelo Mathonsi	Councillor	IFP

**Performance and Audit Committee members:**

<b>NAME</b>	<b>TITLE</b>
Mr. HGS Mpungose	Member
Mr. B. Mhlongo	Member
Mr. M Makhunga	Chairperson
Mrs N Mhlongo	Member

**Risk Management Committee**

<b>NAME</b>	<b>TITLE</b>
Ms. P Nzimakwe	Independent Chairperson
Mr. SG Khuzwayo	Municipal Manager
Ms. N Mngomezulu	Chief Financial Officer
Mr. VP Zulu	Director: Corporate Services
Mr. D. Mbongwa	Director Economic Development, Planning and Human Settlement
Mr. K. Gumede	Director: Infrastructure Development and Technical Services
Ms. L. Kutwana-Gomana	Director: Community Services and Public Safety

**Other: Stakeholders**

Auditor-General's Office

Provincial COGTA

KZN National Treasury

## **2. INTRODUCTION**

The Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council with regards to the Annual Report and the preparation of an Oversight Report.

Given the processes required by Council to effectively undertake its oversight role, the establishment of an Oversight Committee of Council would provide the appropriate mechanism in which Council could fulfil its oversight responsibilities.

The Oversight Committee's primary role will be to consider the Annual Report, receive inputs from the various role players and to prepare an Oversight Report for consideration by Council.

## **3. 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 (Mayor and Executive Committee) 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 (Mayor/Executive Committee). In other words, in exchange for the powers in which Council have delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non-performance of the municipality.

The Municipal Finance Management Act, No.56 of 2003 (MFMA) vests in Council specific powers of approval and oversight.

- ✓ Approval of budgets;
- ✓ Approval of Budget related Policies; and

- ✓ Review of the Annual Report and adoption of the Oversight Report.

## APPENDIX A

### 4. TERMS OF REFERENCE: OVERSIGHT COMMITTEE

- 4.1 ANC, EFF and IFP parties are represented on the Municipal Public Accounts Committee (MPAC/Oversight Committee), and the Performance and Audit Committees members act as advisory members of the committee.
- 4.2 The following four council members were elected to serve on the Municipal Public Accounts Committee/Oversight Committee to develop a program to address queries raised in the Auditor-General's report:

NAME	POSITION	PARTY
Cllr. Sifiso Shandu	Chairperson	ANC
Cllr. Dumisani Mthembu	Councillor	ANC
Cllr. Sibongile Nkwanyana	Councillor	EFF
Cllr. Siphephelo Mathonsi	Councillor	IFP

- 4.3 That the elected Municipal Public Accounts Committee /Oversight Committee will submit a report addressing the queries raised by the Auditor-General to Council for deliberations.
- 4.4 That the Committee will take the Oversight report to Council as per the following programme:
- 4.4.1 The functions of the Municipal Public Accounts Committee /Oversight Committee are to:
- Undertake a review and analysis of the Annual Report going forward;
  - Conduct Public Hearing(s) to allow the local community or any organs of the state to make representations on the Annual Report;
  - Receive and consider Councils' Performance and Audit Committee views and comments on the annual financial statements and performance report;
  - Prepare the Oversight Report taking into consideration, the views and inputs of the public, representative(s) of the Auditor General, Organs of State, Councils Audit and Performance Audit Committee and Councillors;

- 4.5 The Oversight report is the final major step in the annual reporting process of the municipality. Section 129 of the MFMA requires the council to consider the annual report of its municipality and municipal entities and to adopt an oversight report containing the council's comments on annual report, which must include a statement whether the council-
- (a) Has approved the annual report with or without reservations;
  - (b) Has rejected the annual report; or
  - (c) Has referred the annual report back for revision of those components that can be revised.
- 4.4 The MPAC/Oversight Committee may use the attached checklist to organize its Report and to manage request for additional information. The questions suggested may be used by all councillors to gain clarification on contents of reports and also verify compliance with MFMA and MSA. Responses to many of these questions should be provided by the Accounting Officer of the municipality.

**APPENDIX B**

**1. PROCESS PLAN AND TIMEFRAME FOR THE ADOPTION OF THE OVERSIGHT REPORT AND THE ANNUAL REPORT.**

<b>Date</b>	<b>Reason</b>	<b>Responsible People</b>
December 2021	Council establishes the MPAC/Oversight Committee	Council
26 January 2023	Council resolution to adopt annual report	PMS Manager
	Hand-over of Annual Report to MPAC and internal audit	PMS Manager
	Draft Annual report copies given to AG and CoGTA after consideration of comments from council	PMS Manager
07 February 2023	MPAC members to meet and discuss;  i. The MPAC Annual Report Oversight Process Plan for 2021/2022 financial year prior to adoption by Council;	MPAC Chairperson
07 & 10 February 2023	MPAC questionnaire to management	MPAC Chairperson and MPAC Committee
08 March 2023	MPAC Public Hearing	MPAC Chairperson and MPAC Committee
30 March 2023	Tabling of oversight report to Council (As per council calendar)	MPAC Chairperson and MPAC Committee
31 March 2023	Submit Oversight report to Auditor-General, CoGTA and KZN Provincial Treasury	PMS Manager



31 March 2023	Submit Minutes of Council meeting adopting Oversight Report to Auditor General, CoGTA and Provincial Treasury	PMS Manager
04 April 2023	Advertising Adopted Oversight report for inspection	PMS Manager

## 6. THE OVERSIGHT REPORT

This Oversight Report is for the financial year ended 30 June 2022

The following matters were raised during the meetings of the Municipal Public Accounts Committee which were held on the 07<sup>th</sup> and 10<sup>th</sup> February 2023;

No	Questions/Concerns	Official	Reference to response by management.
1.	What give rises to the constant fruitless and wasteful expenditure that the municipality keeps incurring?	Manager Treasury	<ul style="list-style-type: none"> <li>• Management acknowledge the challenges that exist between the two institutions in relation to the invoice dates and the payment dates, we have had several engagements with Eskom to try and improve the situation unfortunately, there still seems to be a challenge in this regard. The matter has been escalated to the Provincial COGTA to mediate and find an amicable solution in this regard.</li> <li>• Eskom bills the municipality on the 20<sup>th</sup> of every month and the municipality pays Eskom invoices on the 30<sup>th</sup> of every month. Eskom expect to have received payments by the 7<sup>th</sup> of every month.</li> <li>• Expenditure unit sends Payment allocation schedules to Eskom cash management section whenever the payment is made to show that the invoices have been paid on time.</li> <li>• We are however left with no choice but to honour the payment while following it up with Eskom so as to avoid further charges.</li> <li>• In some instances, Eskom do not submit invoices on time and then by the time they submit they would charge interest for late payment even though they submitted invoices very late.</li> </ul>

			<ul style="list-style-type: none"> <li>• These challenges with Eskom cuts across all municipalities within the province;</li> </ul>
2.	What is the role of KZN Provincial COGTA in assisting the municipalities avoid fruitless and wasteful expenditure?	Manager Treasury	<ul style="list-style-type: none"> <li>• COGTA volunteered to assist the municipality in this regard as this seems to be a cross-cutting issue experienced by municipalities. As such, the management has welcomed the offer made by COGTA and engagements between Eskom, the municipality and COGTA have taken place however they are on-going until this issue is resolved fully.</li> </ul>
3.	On deviations, how far is the SCM process to establish of a panel of events management which will prevent the deviations arising from taxi services;	Municipal Manager	<ul style="list-style-type: none"> <li>• There were delays in commencing with procurement processes however the Accounting Officer will fast track the process so as to limit the deviations.</li> </ul>
5.	Also, on deviations, there are concerns by MPAC members that the approved processes when it comes to deviations are not complied with since in most instances you find that the deviation would be approved by the Accounting Officer after the events have taken place or payments in relation to deviations are made without complete supporting evidence e.g. payments made without an approved order.	Municipal Manager	<ul style="list-style-type: none"> <li>• The raised Municipal Manager acknowledged the concerns raised and also provided explanations that sometimes due to the urgency of the event it is not possible to follow all the processes. He then referred to the issue of transport to the Zulu Reed dance ceremony where the District municipality could no longer provide transport on the day of the event and Mandeni had to come in and assist in ensuring that the transport is made available at the last minute</li> </ul>
6.	MPAC raised the issue of shortage of staff under PMS unit considering the amount of work that is expected to be done under that unit	Municipal Manager	<ul style="list-style-type: none"> <li>• The Municipal Manager acknowledged the concerns raised by members and provided assurance that the issue will be looked into by management and see if additional staff member can be budgeted for.</li> </ul>

7	<p>MPAC raised concerns on the re-appointments of the same service providers to provide the same services</p> <p>An example was made of the re-appointment of the Rural Metro Emergency Services to provide Fire Rescue Services</p> <p>Another example was that of the reappointment of Conlog to provide SMART metering services once again</p>	Municipal Manager	<ul style="list-style-type: none"> <li>The Municipal Manager acknowledged the concerns of the committee however he assured them that, for both contracts, a fair, equitable and transparent procurement processes were followed and both met all the requirements that were set hence there were no objections. And the process is applicable to all other bids that are advertised by the municipality.</li> </ul>
8	<p>The issue of irregular expenditure arising from late commencement of procurement processes resulting to irregular expenditure</p>	Municipal Manager	<ul style="list-style-type: none"> <li>The Municipal Manager accepted the recommendation of the MPAC to amend the SCM to include the provision that the user departments must initiate the procurement processes at least six (6) months prior to the expiry of the contracts</li> </ul>

## 9. REVIEW OF THE DRAFT ANNUAL REPORT FOR 2021/2022 FINANCIAL YEAR

- 9.1 The Mayor tabled the Draft Annual Report to the municipal council on the 26<sup>th</sup> of January 2023 which was in line with section 127 (3) of the MFMA and the draft annual report was referred to MPAC to engage on the public participation process;
- 9.2 The committee will meet on the 28th of March 2023 to look at the findings that were identified on the draft annual report and since the report of the internal audit providers assurance that all the findings that were raised were corrected by management (**Refer to the attached internal audit report on the review of the Draft Annual Report for 2021/2022 financial year**);

## 10. SUBMISSION OF THE ANNUAL REPORT TO OTHER STAKEHOLDERS

MFMA	MPAC ACTIVITY
<p>Section 127 (5) of the MFMA states – <i>“Immediately after an annual report is tabled in the council in terms of subsection (2), the accounting officer of the municipality must-</i></p> <p>(a) in accordance with section 21A of the Municipal Systems Act-</p> <p>(i) <i>make public the annual report; and;</i></p> <p>(ii) <i>invite the local community to submit representations in connection with the annual report; and</i></p>	<ul style="list-style-type: none"> <li>• MPAC noted that the draft annual report was made public which is in line with MFMA requirements</li> <li>• Local community was also invited to submit representations; on the 08<sup>th</sup> of March 2023, there was an MPAC Public hearing where the Mayor presented the annual report and members of the public made their inputs.</li> </ul>
<p>(b) <i>submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province”.</i></p>	<ul style="list-style-type: none"> <li>• In line with MFMA, the annual report was submitted to the Auditor-General for their inputs (<b>Please see attached confirmation email</b>)</li> </ul>

	<ul style="list-style-type: none"> <li>• Unfortunately, as of today there were no inputs made by the Auditor-General on the draft annual report.</li> <li>• The draft annual report was submitted to COGTA and KZN Provincial Treasury as well; <b>(Please see attached confirmation email)</b></li> </ul>
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## 11. PUBLIC HEARING OF ANNUAL REPORT FOR 2020/2021 FINANCIAL YEAR

The Public Hearing of annual report was held on the 08<sup>th</sup> of March 2023 and it was attended by political leadership led by His Worship The Mayor, Cllr. TP Mdlalose and administrative leadership led by the Municipal Manager, Mr. SG Khuzwayo and the programme was follows;

- Programme Director : Madam Speaker, Cllr. P Sishi
- Purpose of the meeting : Municipal Manager, Mr. SG Khuzwayo
- Presentation of Annual Report for 2021/2022 : His Worship the Mayor, Cllr. TP Mdlalose
- Inputs by MPAC Chairperson: Cllr. S Shandu
- Questions and clarities : Community
- Vote of thanks : Deputy Mayor, Cllr B.L. Magwaza

In his inputs, Chairperson of MPAC, amongst other things, confirmed that the report as presented by His Worship The Mayor was accurate and that the annual report has been reviewed by different relevant stakeholders i.e. internal audit, Performance and Audit committee.

- Community showed appreciation on the annual report as presented by the Mayor and confirmed that they are aware of the projects that were highlighted by the Mayor;
- MPAC noted that most of the issues raised were related to the needs of the community which talks to the Integrated Development Plan (IDP) and these issues will be raised during IDP roadshows;
- The purpose of the session was to look at the performance of the municipality during the previous financial year as a result issues that were raised will be captured by the relevant department in the IDP;

- Some of the few issues that were raised on projects that were targeted to be completed during 2021/2022 financial year are as follows;

Refer to the table below

QUESTION/CONCERN	RESPONSE BY THE MUNICIPALITY
<p>Electrification project (Dry Connections) in Okhovothi Ward 12; by when does the municipality plan to complete this project?</p>	<ul style="list-style-type: none"> <li>• Poor performance by Contractor who cited financial challenges hence the contractor was terminated;</li> <li>• The contract was re-advertised and the expectation is that the new contractor will be introduced to the community by the end March 2023;</li> </ul>
<p>A question was raised on Inembe Sportified as to when will it be opened officially to the public</p> <p>A concern was also raised on the issue of ablution facilities that are not working condition and Jojo Tanks were requested to try and resolve this issue</p>	<ul style="list-style-type: none"> <li>• Inembe Sportified was completed, it is only a matter of time before it is formally presented to the public;</li> <li>• The issue of ablution facilities that are not working condition and the request for Jojo Tanks was noted;</li> </ul>
<p>Concerns with skip bins was also raised that they are not lockable and be placed on concrete</p>	<ul style="list-style-type: none"> <li>• The issue of skip bins is noted and going forward the specification will be detailed so that the municipality procure skip bins that are lockable</li> </ul>
<p>Issue of poor grass cutting by contractors was raised</p>	<ul style="list-style-type: none"> <li>• This concern was noted by the municipality and will be addressed</li> </ul>
<p>Security has vacated the site on Electrification project in Dendethu as a result the project is not guarded</p>	<ul style="list-style-type: none"> <li>• Issue of security was noted and will be looked into</li> </ul>

His Worship the Mayor noted all inputs by community members and responded to the questions that were addressed to him and also re-affirmed their commitment as leadership in ensuring service delivery in all wards of Mandeni municipality.

## **12. RECOMMENDATIONS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

1. That, Council having fully considered the Annual Report of Mandeni Municipality for the 2021/2022 Financial Year, adopts without reservation the Oversight Report for the 2021/2022 Financial Year, noting that all comments on the Annual Report has been adequately addressed and dealt with by management (as set out under chapter 5 oversight report)

***And***

2. That, the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.

***And***

3. That, the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.

***And***

4. That, the oversight report together with the signed resolution of adoption be submitted to Auditor General and COGTA