

COUNCIL



MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OVERSIGHT REPORT FOR 2022/2023 FINANCIAL YEAR

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Officials (Directors):

NAME	POSITION
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. R. Dlamini	Director: Infrastructure Development and Technical Services
Ms. B. Sithole	Director: Community Services and Public Safety

Officials (Management involved in the oversight process)

NAME	POSITION
Mr. S. Khuzwayo	Municipal Manager
Mr. S. Ndlovu	Manager: Performance, Monitoring and Evaluation
Ms. T Ramlall	PMS Clerk

Municipal Public Accounts Committee members:

NAME	POSITION	PARTY
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:

NAME	TITLE
Mr. HGS Mpungose	Member
Mr. B. Mhlongo	Member
Mr. M Makhunga	Chairperson
Mrs N. Mhlongo	Member

Risk Management Committee

NAME	TITLE
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. R. Dlamini	Director: Infrastructure Development and Technical Services
Ms. B. Sithole	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.

Date	Reason	Responsible People
December 2021		
30 January 2024	Council establishes the MPAC/Oversight Committee	Council
30 January 2024	Council resolution to adopt annual report	PMS Manager
30 January 2024	Hand-over of Annual Report to MPAC and internal audit	PMS Manager
February 2024	MPAC Public Hearing	MPAC Chairperson and MPAC Committee
28 March 2024	Tabling of oversight report to Council (As per council calendar)	MPAC Chairperson and MPAC Committee
30 March 2024	Advertising Adopted Oversight report for inspection	PMS Manager
31 March 2024	Submit Oversight report to Auditor-General, CoGTA and KZN Provincial Treasury	PMS Manager
31 March 2024	Submit Minutes of Council meeting adopting Oversight Report to Auditor General, CoGTA and Provincial Treasury	PMS Manager

6. THE OVERSIGHT REPORT

This Oversight Report is for the financial year ended 30 June 2023

The following matters were raised during the meetings of the Municipal Public Accounts Committee which was held on 30 January 2024;

No	Questions/Concerns	Official	Reference to response by management.
1.	Background information on the irregular expenditure arising from December 2022 SALGA Games	Manager Youth Affairs	<p>This irregular expenditure relates to SALGA Games that were held in December 2022</p> <p>a) The cause of the finding was due to poor communication from the District Municipality regarding its participation in the Provincial SALGA games which were held in December 2022 which did not allow the Municipality to plan and execute all procurement needs in time for the games.</p> <ul style="list-style-type: none"> • Manager Youth Affairs was invited to the MPAC meeting which was held on the 12th of February 2024 to give background information and provide clarities on this matter and one of the issues that we noted was that Ilembe had not participated on the SALGA Games since 2021 due to Covid-19 as a result it was not clear if they will participate in the SALGA Games for 2022. • Unfortunately, there was to poor communication from the District Municipality regarding its participation in the Provincial SALGA games which did not allow the Municipality to plan and execute all procurement needs in time since there was also no proper guidance from Ilembe District, for instance, Participating codes were confirmed extremely late, sizes, etc)

2.	Background information on the irregular expenditure arising from December 2023 SALGA Games	Manager Youth Affairs	<p>This irregular expenditure relates to SALGA Games that were held in December 2023</p> <ul style="list-style-type: none"> • There were changes in the Office of Manager Youth in ILembe District municipality and this information was not cascaded down to the local municipalities which caused communication breakdown between ILembe District and local municipalities; • The are committee meetings that meets regularly to plan for the SALGA Games and the first meeting was in July 2023, which was already late, and this meeting was postponed since federations were not properly represented; • Participating codes were confirmed extremely late (Confirmation email from ILembe came on the 24 Oct 2023) therefore you cannot be pro-active until codes are confirmed by ILembe District (i.e. <i>how many people are you procuring for were confirmed very late</i>) • There was a lack of proper guidance generally by ILembe District and these are also reported to Manco and structures like YASC, etc. • These challenges arise each year as a result, management has taken a resolution to establish a panel a panel of service providers to supply goods and services required for SALGA Games to ensure that necessary procurement is done timeously, and similar finding is prevented going forward.
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MPAC RECOMMENDATIONS IN RELATION TO SALGA GAMES

- a) The Municipal Public Accounts Committee resolved to recommend to Council to write-off irregular expenditure amounting to R396 750 identified by the Auditor-General during 2022/2023 financial year because this expenditure was beyond the control of the municipality due to poor communication from the District Municipality regarding its participation in the Provincial SALGA games which did not allow the Municipality to plan and execute all procurement needs in time for the games and as a result;
- *there were no financial losses occurred in these transactions;*
 - *the expenditure incurred did not occur due to the negligence but in good faith and as such no disciplinary action is required;*
- b) The Municipal Public Accounts Committee resolved to recommend to Council to write-off irregular expenditure identified by management during 2023/2024 financial year amounting to R694 082.50 because this expenditure was beyond the control of the municipality due to lack of proper poor guidance from Iembe District and that participating codes were confirmed extremely late which did not allow the Municipality to plan and execute all procurement needs in time for the games and as a result:
- *there were no financial losses occurred in these transactions;*
 - *the expenditure incurred did not occur due to the negligence but in good faith and as such no disciplinary action is required;*
- c) Manager Youth, Bid Committee members and Manager SCM should fast-track the establishment of a panel of service providers to supply and deliver goods and services that are required for SALGA Games to ensure that necessary procurement is done timeously, and similar finding is prevented going forward.

9. REVIEW OF THE DRAFT ANNUAL REPORT FOR 2022/2023 FINANCIAL YEAR

- 9.1 The Mayor table the Draft Annual Report to the municipal council on the 30th of January 2024 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 Annual Report has been reviewed by MPAC and internal audit and MPAC has noted great improvement on the compilation of the annual report for 2022/2023 financial year compared to 2020/2021 and 2021/2022 financial years since;
- a) *The findings that were raised in previous years have been addressed hence we could not identify similar findings in the 2022/2023 annual report:*
 - b) *There were no new findings that we have identified in the 2022/2023 annual report:*
 - c) *The annual report was compiled following the requirements of the MFMA as well as MFMA Circular 63 as issued by National Treasury:*

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> <ul style="list-style-type: none"> (i) <i>make public the annual report; and;</i> (ii) <i>invite the local community to submit representations in connection with the annual report; and</i> 	<ul style="list-style-type: none"> • MPAC noted that the draft annual report was made public which is in line with MFMA requirements • Local community will be invited to submit representations; on the 22nd of February 2024, which is the date when MPAC Public hearing will be held.

<p><i>(b) 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"> • In line with MFMA, the annual report was submitted to the Auditor-General for their inputs. • The draft annual report was also submitted to COGTA and KZN Provincial Treasury as well.
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MPAC PUBLIC HEARING MEETING

Section 127 (5) of the MFMA states – *“Immediately after an annual report is tabled in the council in terms of subsection (2), the accounting officer of the municipality must-*

- (i) make public the annual report; and;*
- (ii) invite the local community to submit representations in connection with the annual report;*

MPAC Public Hearing meeting was held on the 22nd of February 2024 where the Mayor presented the Annual Report for 2022/2023 financial year and members of the public engaged on the report with major concerns raised regarding delays in completing projects.

The MPAC Chairperson also made his inputs and acknowledged the issues raised and announced that the MPAC will be presenting an item to Council to seek approval to conduct site visits as part of monitoring and evaluation oversight process.

Director Corporate Services noted all the concerns and assured members of the public that the issues that have raised have been communicated to the relevant head of departments for implementation.

The Municipal Public Accounts Committee resolved to recommend to Council to approve the MPAC request to conduct site visits as part of the oversight process over monitoring and evaluation of projects that are undertaken by the municipality.

11. RECOMMENDATIONS

It is recommended that;

1. That Council having fully considered the Annual Report of Mandeni Municipality for the 2022/2023 Financial Year, adopts without reservation the Oversight Report for the 2022/2023 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.
2. That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
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.
4. That the oversight report together with the signed resolution of adoption be submitted to Auditor General and COGTA

Prepared by:



MR. S SHANDU

MPAC CHAIRPERSON