



## UMHLABUYALINGANA MUNICIPALITY

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### **THE 2017/2018 OVERSIGHT REPORT FOR UMHLABUYALINGANA MUNICIPALITY**

#### **Introduction**

Council has a vested responsibility to oversee the performance of its municipality as required by the Constitution, the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA). This oversight responsibility of council is particularly important in the process of the consideration of the Annual Report. The Annual report is one of the key instruments of transparent governance and accountability, in that it is a post year document which provides perspective and an overview of the both the financial and non-financial performance of the municipality's previous financial year.

The MFMA and MSA recognize that council has a critical role to play to ensure better performance by municipalities. There is an explicit linkage which exists between the strategic goals determined by council through the IDP process as well as the budgeting process through which the delivery of those goals translates into service delivery, which is then reported as the performance of the municipality in the Annual Report. Furthermore the achievement of those strategic goals through service delivery will lay a basis for better oversight and cement the contracts between council, the administration and the public at large.

#### **Summary of contents of this report:**

1. The chairman's foreword
2. The performed programmes
3. Statement of purpose of the oversight report
4. The oversight committee
5. 2017/2018 Annual Report Consultation process
6. Summary of findings relating to the annual reporting process 2017/2018
7. Resolution and recommendations of the MPAC
- 8 Conclusion

## **1. THE CHAIRPERSON'S FOREWORD**

It is an utmost privilege to present to council an oversight report that was compiled by members of MPAC. I can affirm that for its inaugural meeting, the seriousness with which MPAC took its responsibility was substantial. I further account that MPAC will function in order to fulfill its obligations in terms of the provisions of the Local Government Municipal Systems Act, Act 117 of 1998 and the Municipal Finance Management Act, Act 56 of 2003 regarding the exercise of oversight. It is imperative to note that the in the 2017/2018 financial year the municipality regressed from a clean opinion to an unqualified with other matters audit opinion. One must acknowledge that such a regression does not sit well with council and as a result both management and the council have put in place corrective measures to ensure that in the next audit cycle the audit outcome of the municipality improves. The following were the three (3) material findings which resulted in the municipality losing its clean audit.

- Commitments
- Property, Plant and equipment (Vat Calculation)
- Property, Plant and Equipment (Depreciation)

However one must note there is a persistent audit finding due to the fact that the municipality currently has no system in place to validate the authenticity of declarations provided by suppliers in the supply chain management process ( i.e. tenders awarded to members in service of the state).

The functioning of the MPAC is to strengthen the oversight arrangements in the municipality. This is carried out with a clear distinction between oversight and interference in the administration, as defined in the Municipal Finance Management Act no.56 of 2003 section 52 (b) and 103 respectively, as well as the code of conduct for councillors defined in schedule 1 of Municipal Systems Act no 32 of 2000. Sect on 129 (4) of the MFMA further provides for the assurance of the manner in which the municipal council should consider the Annual Report and conduct public hearings and the functioning and composition of any public accounts and oversight committees established by the council to assist it to consider such an annual report.

## **2. THE PERFORMED PROGRAMME**

- The council has approved the Auditor- General Action plan based on previous financial year findings following its presentation in the presence of the office of the Auditor General and the Audit Committee
- There is a serious need for proper coordination between political and administrative leadership to ensure effectiveness of the MPAC as well as stability within the municipality.
- The municipality has also developed a clean audit sustainability plan after the regression, as a remedial action to ensure that the audit come for the 2018/2019 financial year is improved.

## **3. STATEMENT OF PURPOSE OF THE OVERSIGHT COMMITTEE**

The purpose of the oversight report is to present to Council for adoption, the Annual Report 2017/2018 as well as the Oversight Report on the Annual Report as required by Section 129 of the MFMA. It is therefore important to have some understanding of the accountability framework for municipalities in order to understand the role of the oversight report as derived from the Annual Report and any of the reports required from the municipality. The table presented below shows the financial governance framework which is applicable to local government.

Council	Approving policies and budget	Mayor	Community
Mayor	Policy, budgets, outcomes management of /oversight over municipal manager	Municipal manager	Council
Municipal manager	Outputs and implementation	The administration	Mayor
Chief financial officer and senior managers	Outputs and implementation	Financial management and operational functions	Municipal manager

The oversight report is a separate product from the Annual Report. The Annual Report is submitted to the council by the Accounting Officer and the Mayor as part of the process for discharging accountability by the executive and administration for their performance and achieving objectives and goals set by the municipality in the relevant financial year.



The oversight report follows consideration and consultation of the Annual Report and is considered to be a report of the municipal council to the community disclosing the level of success or otherwise obtained with meeting the priority needs and stated desires of the community as contained in the IDP.

#### **4. THE OVERSIGHT COMMITTEE**

The MPAC committee was established under Section 33 and 79 of the Municipal Structures Act 1998. It is imperative to mention that the committee is made up of non-executive councillors and representatives of the community. The members of the MPAC committee are presented in the table below:

1. Cllr SP Mthethwa (Chairperson) – ANC –Ward 11
2. Cllr KO Tembe- ANC – Ward 1
3. Cllr BC Zikhali -ANC – Ward 16
4. Cllr NC Mdletshe –ANC – Ward 15
5. Cllr MJ Mthembu – IFP – Ward 3
6. Cllr SG Nxumalo -IFP – Ward 7

#### **5. 2017/2018 Annual Report Consultation process**

The Annual Report 2017/2018 was tabled to Council on 25<sup>th</sup> January 2019 in compliance with the MFMA which requires under Section 127(2) that: “ ***The Mayor of a municipality must, within seven(7) months after the end of a financial year, table in the municipal council the annual report of the municipality***”

The Draft Annual Report for 2017/2018 was made public on the Municipal Website within five (5) days and within seven (7) days in the local newspaper after it was approved by Council on 25<sup>th</sup> January 2019.

The Annual Report 2017/2018 was further submitted in terms of Section 127(5)(b) to the Auditor-General (AG) of South Africa, Provincial Treasury (KwaZulu-Natal) and the Department of Corporative Governance and Traditional Affairs (KwaZulu-Natal). Furthermore the AG was also invited to attend the Council meeting held on 25<sup>th</sup> January 2019 to table the audit outcome as well as note the submission of the Annual Report to Council.

To fully enable public participation the Annual Report was placed at 4 Traditional Councils, Mseleni , Manguzi Libraries, Mbazwane Traffic Station.

It is imperative to acknowledge that the Annual Report was subject to public scrutiny in the form of Annual Report public participation process, which the MPAC has used the level of satisfaction of the community, annexed in the adopted annual report. Minutes are available for verification. The Annual Report public participation was conducted on the following dates:

DATE	VENUE	WARDS
31 January 2017	Hlokohloko Community Hall	14,13,06&09
23 January 2019	Oqondweni Community Hall	07,02,03 & 05
25 January 2019	Phelandaba Community Hall	18,15, & 16
25 January 2019	Velabusha Mobile Clinic	01,04,09 & 17
15 February 2019	Mnyayis	18,10,11,12,08 & 01
21 February 2019	Mahlakwe Community Hall	05,13, & 14

Moreover it is imperative to note that on the 14 March 2019 the MPAC held a meeting where they prepared and consolidated the oversight report.

#### **6. SUMMARY OF FINDINGS RELATING TO THE ANNUAL REPORTING PROCESS 2017/2018**

- Commitments
- Property, Plant and equipment (Vat Calculation)
- Property, Plant and Equipment (Depreciation)
- Interest received on property rates
- Valuation note inappropriately disclosed
- SCM policy did not cater for the new Standard for Infrastructure Delivery and Procurement Model
- Suppliers in service of the state
- Bid Adjudication Committee not appropriately composed
- Bank account incorrectly disclosed in the financials
- Annual Performance Report not consistent to the SDBIP

#### **Other significant matter as reported in the audit report:**

Irregular expenditure as reported by AG needs to be part of Action plan in terms of investigation by MPAC  
Emphasise of Matter - Significant Credit Impairment - measures to improve debt collection need to be detailed and closely monitored for effectiveness

#### **Comments and concerns as noted by (AG) Auditor General South Africa were as follows:**

- The issue of travell allowance for Amakhosi has been addressed during 2017/2018 financial year.
- Table of content number does not correspond with page numbers ,(i.e the numbering is incorrect)
- The Financials are not the latest please update and insert a signed copy



- The AGSA audit report XX must change to the numebring in this document, once all the information contained therein has been finalised and the page numbers confirmed.

#### Comments as noted by COGTA

- CoGTA has analysed your Annual Report and has found that the following were complied with and submitted in terms of section 121 and 123 of the MFMA and section 46 of the MSA, as prescribed.

There were no comments from Provincial Treasury (KwaZulu Natal).

There were no comments from the public.

#### 7. RESOLUTIONS AND RECOMMENDATIONS OF THE MPAC

In terms of Section 129(1) of the Local Government: Municipal Management Act, 2003 (Act 56 of 2003) the municipality must indicate whether the Annual Report 2017/2018 is being adopted with or without reservations.

- We recommend that management focus on the preparation of the Annual Financial Statements and the quality of the Financial Statements submitted for audit purposes.
- We recommend that interim financial statements be prepared and submitted to the internal audit and audit committee.
- We affirm the recommendations in the management letter based on the issues raised and further recommend the implementation of the AG action plan to address such issues.
- We further recommend that management pays particular attention to the emphasis of matter paragraph (*i.e Significant Credit Impairment - measures to improve debt collection need to be detailed and closely monitored for effectiveness*) and *Restatement of corresponding figures*.

#### 8. CONCLUSION

As Chairperson of the MPAC I would like to thank his Worship Mayor Cllr NS Mthethwa, the Executive Committee, The Municipal Manager, management as a whole and as well as the various stakeholders for their contribution to the Annual Report 2017/2018 for their diligence and constructive commitment during the oversight period.

As the MPAC we are satisfied that the Annual Report accurately provides an overview of the process of both the financial and non-financial performance of the municipality, and is satisfied with the content of the Annual Report 2017/2018 and as such recommends to council that the 2017/2018 Annual Report be adopted without reservations.

Complied by MPAC



Cllr SP Mthethwa`