



UMHLABUYALINGANA MUNICIPALITY

Postal: Private Bag X901, Kwa-Ngwanase, 3973
Tel: +27 35 592 0665 • +27 35 592 0680
Fax: + 27 35 567 0672

OVERSIGHT REPORT

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1. 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.

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 (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.

3. FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The functions of the MPAC are to:

- ✓ Undertake a review and analysis of the Annual Report.
- ✓ Invite, receive, and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- ✓ Consider written comments received on the Annual Report from the public consultation process.
- ✓ Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- ✓ Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.
- ✓ Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representative(s) of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

4. COMPOSITION OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

4.1 Membership

The Municipal Public Accounts Committee is a committee of Council established under section 79 of the Municipal Structures Act, 1998. Section 79, allows for the co-option of advisory members to a Committee of Council, who are not members of the Council.

Due to the separation of roles and responsibilities, between Council and the Executive (Mayor and Executive Committee) it is not appropriate that members of the Executive Committee be members of the MPAC.

MPAC COMMITTEE
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 ET Nxumalo – ANC – Ward 7
6. Cllr HK Gumede – IFP- Ward
7. Cllr BE Biyela – IFP- Ward

4.2 Authority & Power

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 all meetings held by the MPAC must be open to the public and minutes of the meetings must be submitted to Council meetings.

4.3 Meeting Schedule

The Annual Report tabled to Council on a meeting held on 29 March 2021, was referred to the MPAC to prepare Oversight Report. The community was advised through the print media of the availability of the Annual Report and was invited to submit representations on the report.

The Annual Report was available at all municipal libraries (Mseleni and Manguzi libraries), Mbazwane Traffic Station, Manguzi Main offices, 4 Traditional Councils and was also placed on the *Umhlabuyalingana* Municipality website. The Annual Report was submitted to the Auditor-General, Provincial Treasury and the Department of Local Government and Traditional Affairs. The Annual Report was tabled to the public on the following dates:

DATE	VENUE	TIME	WARDS
11 May 2021	Mbazwana Multi-purpose center	10:00AM	All Wards

At the closing date for public submissions, *no* submissions were received.

6. ANNUAL REPORT CHECKLIST

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	LEVEL OF COMPLIANCE	RESPONSES/ COMMENTS
1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA	Financial reporting matters to be Considered	
121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor- General.	The AFS are to be in the form as required by the applicable Generally Recognized Accounting Practice standards, MFMA and DoRA. Confirmed by Auditor – General report that the Annual Financial Statements were fairly presented as at 30 June 2019.	Yes. Refer to the Annual Financial Statements (AFS) on the annual report. Refer to pages 290-361.
121 (3)(a) 121 (4) 121 (4)(b)	The above applies also to the AFS of municipal entities.	Not applicable there are no municipal entities.
121 (3) (e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities.	Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? Is any other action required to be taken?	Yes. Refer to page 174 of the Annual Report

<p>121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports.</p>	<p>The conclusions of the annual audit are:</p> <ul style="list-style-type: none"> ✓ an unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; ✓ The objective of the municipality should be to achieve an unqualified audit opinion. ✓ Taking into account the audit report, audit opinion and the views of the audit committee, council considered: <ul style="list-style-type: none"> • To what extent does the report indicate serious or minor financial issues? • To what extent are the same issues repeated from previous audits? • Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? • Has a schedule of action to be taken been included in the annual report, with appropriate due dates? 	<p>Yes. Refer to page 82 of the Annual Report for audit outcomes and also refer to pages 250 to 289 of the Annual Report for the action plan.</p>
	<p>Note that actions taken on audit issues are to be reported to the provincial legislature, the MEC for Cooperative Government & Traditional Affairs to report on</p>	<p>Yes. Refer to page 250-289 of the Annual Report</p>

	<p>any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MEC.</p>	
<p>121 (3)(f) An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget.</p>	<p>The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s17(3)(b)). The accounting officer must include these objectives in the annual report and report on performance accordingly.</p> <p>Has the performance met the expectations of council and the community?</p> <p>Have the objectives been met?</p> <p>What explanations have been provided for any non-achievement?</p> <p>What was the impact on the service delivery and expenditure objectives in the budget?</p>	<p>Yes. Refer to pages 383-384 of the Annual Report.</p>
<p>121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality.</p>	<p>Review any other information that has been included in regard to the AFS.</p>	<p>Not applicable.</p>
<p>1. Financial Matters – Annual Financial</p>	<p>Financial reporting matters to be considered</p>	

<p>Statements - Section 121 (3) MFMA</p>		
<p>121 (3)(j) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities.</p>	<p>Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations? Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<p>Yes. Refer to pages 372 to 378 of the Annual Report.</p>
<p>2. Disclosures - Allocations received and made - Section 123-125 MFMA</p>	<p>Considerations</p>	
<p>123 (1)(a) Allocations received by and made to the municipality.</p>	<p>The report should disclose:</p> <ul style="list-style-type: none"> ✓ Details of allocations received from another organ of state in the national or provincial sphere. ✓ Details of allocations received from a municipal, entity or another municipality. ✓ Details of allocations made to any other organ of state, another municipality, or a municipal entity. ✓ Any other allocation made to the municipality under Section 214(1) (c) of the Constitution. 	<p>Yes. Refer to pages 385-388 to the Annual Report. Appendix I to Appendix K.</p>

	<p>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action?</p>	
<p>125 (1) Information in relation to outstanding debtors and creditors of the municipality and entities.</p>	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> ✓ the information has been properly disclosed; ✓ conditions of allocations have been met; and ✓ that any explanations provided are acceptable. 	<p>Yes.</p> <p>Refer to the Annual Financial Statements (AFS) on pages 290 to 361.</p>
<p>2. Disclosures - Allocations received and made - Section 123-125 MFMA</p>	<p>Considerations</p>	
<p>123 (1)(c) Information in relation to the use of allocations received.</p>	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ul style="list-style-type: none"> ✓ The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities 	<p>Yes</p> <p>Refer to pages 290 to 361 of the Annual Report.</p>

must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects.

- ✓ Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided.
- ✓ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.

This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation.

The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received.

Council should be satisfied that –

- ✓ the information has been properly disclosed;
- ✓ conditions of allocations have been met; and
- ✓ that any explanations provided are acceptable.

The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.

<p>3. Disclosures in notes to AFS</p>	<p>Considerations relating to section 124</p>	
<p>Information relating to benefits paid by municipality and entity to councillors, directors and officials.</p>	<p>Information on the following items is to be included in the notes to the annual report and AFS:</p> <ul style="list-style-type: none"> ✓ salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind; ✓ any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors; ✓ salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager; ✓ contributions for pensions and medical aid; ✓ travel, motor car, accommodation, subsistence and other allowances; ✓ housing benefits and allowances; ✓ overtime payments; ✓ loans and advances, and; ✓ any other type of benefit or allowance related to staff. <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> ✓ the information has been properly disclosed; ✓ conditions of allocations have been met; and ✓ that any explanations provided are acceptable. <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	<p>Yes.</p> <p>Refer to the annual Financial Statements on pages 290 to 361 of the Annual Report.</p>
<p>4. Municipal Performance</p>	<p>Considerations</p>	

<p>The annual performance reports of the municipality and entities.</p>	<p>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. Questions that may be considered are –</p> <ul style="list-style-type: none"> ✓ Has the performance report been included in the annual report? ✓ Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report? ✓ Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year? <p>In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation, and electricity been reduced? What are the refuse collection volumes, library usage statistics etc?</p> <ul style="list-style-type: none"> ✓ To what extent has performance achieved targets set by council? ✓ Is the council satisfied with the performance levels achieved? ✓ Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings? ✓ What actions have been taken and planned to improve performance? ✓ Is the council satisfied with actions to improve performance? 	<p>Yes.</p> <p>Refer to appendix F, on page 379 of the annual report, and the municipal score card on pages 175 to 208.</p>
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	<ul style="list-style-type: none"> ✓ Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager? ✓ Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes? ✓ Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective? ✓ To what extent have actions planned for the previous year been carried over to the financial year reported upon? ✓ Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory? <p>Council should comment and draw conclusions on information and explanations provided.</p>	
<p>Audit reports on performance.</p>	<p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually. Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?</p>	<p>Yes.</p> <p>Refer to the audit report on pages 242 to 249 and the AG action plan on pages 250 to 289, on the Annual Report.</p> <p>Council has made considerable progress in respect of the Performance Management System. Quarterly auditing of reported achievements is reported to the Performance Audit Committee as well as Audit Committee on a quarterly basis.</p>

<p>Performance of municipal entities and municipal service providers.</p>	<p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities.</p> <p>The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered.</p> <p>Is the council satisfied with the evaluation and conclusions of the municipality? What other actions are considered necessary to be taken by the accounting officer?</p>	<p>Yes.</p> <p>Refer to appendix F, on page 379 of the annual report.</p> <p>The municipality does not own a municipal entity. All contracted services are assessed in terms of signed Service Level Agreements which have punitive measures for noncompliance.</p>
<p>5. General information</p>	<p>The following general information is required to be disclosed in the annual report.</p>	
<p>Relevant information on municipal entities.</p>	<p>The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses, and contact details for entities, the purpose of the entity, the functions, and services provided the type and term of service level agreements with the entities.</p>	<p>Not applicable. There are no municipal entities.</p>
<p>The use of any donor funding support.</p>	<p>What donor funding has the municipality received?</p> <ul style="list-style-type: none"> ✓ Have the purposes and the management agreements for the funding been properly agreed upon? ✓ Have the funds been used in accordance with agreements? ✓ Have the objectives been achieved? ✓ Has the use of funds been effective in improving services to the community? ✓ What actions need to be taken to improve utilisation of the funds? 	<p>Not applicable, the municipality has not received any donor funding.</p>

<p>Agreements, contracts and projects under Private-Public-Partnerships.</p>	<p>Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.</p>	<p>Refer to page 239 of the Annual Report, however the municipality did not have any partnership agreements during 2019/2020.</p>
<p>Service delivery performance on key services provided.</p>	<p>This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report and or in statistical tables.</p>	<p>Refer to the Annual Performance Report, OPMS Scorecard section</p>
<p>Information on long-term contracts.</p>	<p>Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.</p>	
<p>Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations.</p>	<p>Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.</p>	<p>IT related matters will be dealt with in 2020/2021, due to budget constraints.</p>

<p>Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework.</p>	<p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided.</p> <p>This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets.</p> <p>Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p>	<p>Complied with for the year under review in terms of Medium Term Expenditure Revenue Framework (MTERF).</p>
<p>6. Other considerations recommended</p>		
<p>Timing of reports.</p>	<p>Was the report tabled in the time prescribed? Has a schedule for consideration of the report been adopted?</p>	<p>Yes.</p>
<p>Oversight committee or other mechanism.</p>	<p>What mechanisms have been put in place to prepare the oversight report? Has a schedule for its completion and tabling been adopted?</p>	<p>An oversight committee was appointed (i.e MPAC will prepare the oversight report).</p> <p>Yes.</p>
<p>Payment of performance bonuses to municipal officials.</p>	<p>Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the</p>	<p>Performance bonuses will be paid based on achievements of agreed outputs and after consideration of the annual report by Council.</p> <p>Performance bonuses will be payable after performance evaluation session has been completed and a report tabled to council by the Performance Committee Chairperson</p>

municipal performance reported in the annual report.

Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?

- ✓ If so has a proper evaluation of performance been undertaken?
- ✓ Was the evaluation approved by council?
- ✓ Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report?
- ✓ Are the payments justified in terms of performance reported in the annual report?

7. CONCLUSION

The MPAC commends Council, the Municipal Manager, the Senior Managers and all staff at Umhlabuyalingana Local Municipality on the strides made towards good governance. However, much needs to be done in planning and preparation of the annual financial statements and the 2020/2021 financial year must target focussed attention in this area to ensure improvement in the quality of financial statements submitted for audit purposes. Furthermore the management needs to ensure that it pays particular attention to procurement management processes, making sure that all committees are properly constituted in terms of the law and that officials in those committees are properly capacitated (i.e SCM laws and regulations as outlined in all relevant pieces of legislation.) and contract management (i.e Service level agreements should contain all relevant clauses).

Having performed the following tasks:

- ✓ Reviewed and analysed of the Annual Report;
- ✓ Invited, received, and considered inputs from Councillors and Portfolio Committees, on the Annual Report;
- ✓ Considered that no written comments were received on the Annual Report from the public consultation process;
- ✓ Conducted Public Hearings to allow the local community or any organs of state to make representations on the Annual Report;
- ✓ Received and considered Council's Audit Committee views and comments on the annual financial statements and the performance report; and
- ✓ Prepared the draft Oversight Report, taking into consideration, the views and inputs of the public, representatives of the Auditor-General, organs of state, Council's Audit Committee and Councillors;

The MPAC has pleasure in presenting the Oversight Report to Council to consider one of the following resolutions and then to be forwarded to the relevant Departments and Provincial Legislature:

RESOLVED TO RECOMMEND

Having thoroughly considered the contents of 2019/2020 annual report, it is therefore recommended that

1. The council adopt the 2019/2020 annual report without reservations
2. The council to adopt the 2019/2020 Oversight Report without reservations.
3. The Oversight Report on 2019/2020 Financial Year be made public in line with Section 129(3) of the MFMA

4. The Oversight Report on 2019/2020 Financial Year be submitted to the Provincial Legislature in line with section 132(2) of MFMA.

Submitted by:

Clr. S.P Mthethwa

Chairperson: MPAC