

ABAQULUSI LOCAL MUNICIPALITY
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE



OVERSIGHT REPORT 2017/2018

CLLR. M.VIKTOR
CHAIRPERSON
COUNCIL: 28 MARCH 2019

FOREWORD BY THE CHAIRPERSON

DEAR COUNCILLORS,

The Council of AbaQulusi Local Municipality has the responsibility to oversee the performance of the Municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA). On the 31 January 2019, Council considered the Draft 2017/2018 Annual Report of AbaQulusi Local Municipality and referred the Report to the Municipal Public Accounts Committee for review and the drafting of this Oversight Report.

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the Council to consider the Annual Report and to adopt an Oversight Report containing the Council's comments on the Annual Report. The Oversight Report is therefore clearly distinguished from the Annual Report. The Oversight Report is a report of the Municipal Council and follows consideration and consultation on the Annual Report by the Council itself.

The Municipal Public Accounts Committee of the AbaQulusi Local Municipality fulfils the oversight role of Council. The mandate of the Municipal Public Accounts Committee includes an analysis of the institution's Annual Report and the development of appropriate recommendations to Council. The meetings of the Municipal Public Accounts Committee on the 2017/2018 Draft Annual Report were held on 14 March 2018 and subsequent MPAC working session was held on the 20th of March 2019 to further interrogate the Draft Annual Report.

Furthermore, Immediately after the Draft Annual Report noted by Council was made public with a view to solicit the public comment between 03 February 2019 to 12 March 2019. In addition, copies of the Draft 2017/2018 Annual Report were made available for inspection at all municipal offices and on the municipal website, but however no comments were received.

The Municipal Public Accounts Committee noted both improvements in certain performance areas, as reflected in the 2017/2018 Annual Report, but also unsatisfactory performance in some areas. As reflected in this Oversight Report, the Municipal Public Accounts Committee has also raised concerns on a number of issues requiring immediate intervention.

Finally, although the MPAC committee members were not provided with training, I would like to commend the first ever approach initiated for MPAC working session through the guidance of Manager Internal Audit and appreciate the effort put by my fellow Municipal Public Accounts Committee members for their hard work and commitment.

CLLR. M VIKTOR
MPAC CHAIRPERSON

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1. BACKGROUND

Each municipality and each municipal entity must prepare an annual report for each financial year in accordance with the Municipal Systems Act (MSA) (Section 46) and the Municipal Finance Management Act (MFMA) (Section 121). In addition, Circulars 11 and 63, issued by National Treasury (NT), and the Annual Report Customised Template and Guidelines provided by the Provincial Department of Local Government and Traditional Affairs provide guidance to municipalities on compliance with the above legislation.

A municipal annual report includes the following key elements:

- *Annual performance report*, evaluating the year's performance against the performance objectives established in the IDP, Budget and Service Delivery and Budget Implementation Plans (SDBIPs);
- *Annual financial statements (AFS), Auditor-General's (AG) Audit Report on the AFS and management's responses* to address the AG's audit findings;

Audit committee report, on the effectiveness of risk management, control and governance process within the institution;

- *Other disclosures*, as required by the MFMA in Sections 121, 123, 124 and 125 (e.g. Councillor and top management compensation, grants, bank accounts and investment information).

The MFMA directs the annual report to be completed and tabled in Council by 31 January, for the financial year ended the previous 30 June 2018. Council must then review the annual report and adopt an oversight report containing its comments within 60 days.

The MFMA (Section 129 (1)) and National Treasury's (NT) Circular 32 direct and guide the oversight process and the preparation of the oversight report. Circular 32 recommends that Council establish an Oversight Committee to prepare an oversight report, in order that all Councillors be provided with a more detailed and comprehensive analysis of the Annual Report that would have been practical otherwise. This assists Council in providing better oversight over municipal performance. The 2017/2018 Draft Annual Report was tabled in Council on 31 January 2019, on schedule.

2. PROCESS FOLLOWED BY COUNCIL

On 31 January 2019, Council referred the 2017/2018 Annual Report to the Municipal Public Accounts Committee (MPAC), which performs the function of an Oversight Committee. The MPAC consists of members from the IFP, ANC, and DA. The Committee is made up as follows:

- ❖ Cllr M Viktor: MPAC Chairperson
- ❖ Cllr L Dube
- ❖ Cllr R Ally

- ❖ Cllr JJ Jones
- ❖ Cllr MM Kunene
- ❖ Cllr MB Mabaso
- ❖ Cllr TZ Mavundla
- ❖ Cllr NY Mdlalose
- ❖ Cllr SN Ndlela

The Committee based its work on the following documents:

- 2017/2018 Annual Report
- 2017/2018 Service Delivery and Budget Implementation Plan (SDBIP), incorporated in the Annual Report
- MFMA
- NT's Circular 32 – The Oversight Report
- NT's Circulars 11 and 63 – The Annual Report

The Municipal Public Accounts Committee values community participation in the oversight process. In this regard, the following initiatives were made:

- An invitation to the public to submit comments on the Annual Report was advertised in the local printed newspaper on Isolezwe, Vryheid Herald, and posted on the municipal website.
- The meetings of the Municipal Public Accounts Committee were open to the public
- There is no public comments received

3. CONCLUSIONS

The conclusions and recommendations of the Municipal Public Accounts Committee are presented in two sections, as reflected below:

Compliance issues – This section contains the Committee's comments on whether the 2017/2018 Annual Report included the items required by the MFMA and followed the guidance provided by NT Circular 32.

Other Annual Report issues – This section contains the Committee's substantive comments on the Annual Report and other issues raised by the Committee.

3.1 COMPLIANCE ISSUES

As documented below, the Annual Report complied with the requirements of the Municipal Systems Act and the Municipal Finance Management Act (MFMA), National Treasury guidance on the content of annual reports, as well as the *Customised Template and Guidelines for Annual Reports* provided as a skeleton in the National Treasury website.

3.1.1 MFMA REQUIREMENTS INCLUDED IN TABLED ANNUAL REPORT

- Headings and content recommended in National Treasury Circulars and Guidelines.
- Annual Financial Statements.
- Auditor-General's Audit Report.
- Performance report – Performance statistics and narratives are included, as required.
- Report of the Audit Committee.
- Conditional grants and assessment of compliance.
- Allocations to other organisations.
- Total payments for audit fees, taxes, levies, duties, pension and medical aid contributions, and if any amounts are outstanding at year-end.
- Each bank account (name, type, balances).
- Summary of all investments.
- Information on backlogs.
- Material irregular, fruitless or wasteful expenditure and whether recoverable.
- Salaries, allowances and benefits for each political office-bearer and top management official.
- Arrears owed by each AbaQulusi Local Municipality Councillor.
- Comparative performance information – Actual performance compared to the 2017/2018 performance objectives, as well as performance information from the previous year.
- Analysis of arrears.
- Auditor-General's Report on Performance Management System.

3.1.2. FINDINGS NOTED ON THE ANNUAL REPORT 2017/2018

The Municipal Public Account Committee considered the annual report as presented and noted the following omissions and findings:

- a) Forums reported as functional on the annual report are no longer sitting such mayoral forum, municipal managers forum and district technical forum.
- b) Although the municipality published the Council calendar meetings, there was no notice issued to public on every council meeting took place.

- c) There are no frequent meetings held with Amakhosi
- d) There is no media release on milestones achieved and challenges experienced by the municipality in the form of newsletters on service delivery.
- e) On page 46 of the annual report, the committee raised concern about the position of SCM manager which the was no head in the last 2 years.
- f) Municipal by-laws were not reviewed
- g) SPLUMA by-law not listed on the annual report
- h) Building regulations and traffic by-law not listed on the municipal website
- i) Littering and illegal dumping by-law not in place
- j) Misuse of pauper burial
- k) Asset disposal document listed on the website is outdated
- l) Calendar of meetings not fully updated on the website
- m) Performance agreement for section 56 and 57 managers for 2017/2018 not listed on the municipal website
- n) No contingency plan in place for provision of water as it is evidenced by the ongoing water disruption.
- o) No ringfencing of electricity and street lights
- p) MIG projects were overspend by R5 960 940
- q) On page 70 of the annual report, no map attached relating to air transport
- r) Vehicle testing services not rendered
- s) Misuse of municipal fleet and abuse of fuel
- t) Irregular expenditure of R41.86 million as reported by the AGSA

4. RESOLVED TO RECOMMEND

That Council, having fully considered the AbaQulusi Local Municipality 2017/2018 Annual Report, resolves that:

- (a) the Oversight Report be adopted;
- (b) the Annual Report be adopted with reservations subject to the implementation of the following corrective measures:
 - Paragraph relating to forums be revised
 - Public notice to be issued for all council meetings to take place
 - Arrangement be made to extend invitation to all Amakhosi residing within the municipality jurisdictions to attend Council meetings.
 - Communication strategy be developed, adopted and implemented
 - SCM manager position be filled as matter of urgent
 - All by-laws be reviewed
 - Investigation must be conducted to determine if pauper burials is in line with the municipality by-laws and functions
 - Asset disposal committee must be appointed to identify and recommend assets that are due for disposal and furthermore, asset register must be updated regularly.
 - Contingency plans must be in place for distribution of water to avoid a total shutdown.
 - Inspection must be conducted on a regular basis to determine whether street lights are still in a good condition.
 - Proper oversight on MIG projects

- Municipality Vehicle testing station must be re-opened to enhance revenue.
 - Although there was a slight reduction of irregular expenditure as compared with irregular expenditure incurred for 2016/2017 financial year. The municipality must implement consequences management in order to deal with those who might have contributed to the irregular expenditure.
- (c) the Annual Report be amended, as reflected in paragraph (b) of the Oversight Report.
- (d) the recommendations of the Municipal Public Accounts Committee reflected on paragraph (b) be adopted and progress report on implementing the recommendations be submitted to MPAC and Council meetings;
- (e) That the minutes of the MPAC meeting where the Annual Report was discussed, in the presence of the accounting officer (Municipal Manager), be submitted to the Auditor- General, KZN Provincial Treasury and KZN COGTA, as attached to the report, in terms of section 129(2) of the MFMA.
- (f) That the 2017/2018 Oversight Report of the AbaQulusi Local Municipality be made public in terms of Section 129(3) of the MFMA; and be submitted to the KZN Legislature in terms of Section 132(2) of the MFMA.



CLLR. M VIKTOR
MPAC CHAIRPERSON