

MPAC OVERSIGHT REPORT ON THE ANNUAL REPORT OF DR JS MOROKA LOCAL MUNICIPALITY FOR THE FINANCIAL YEAR 1 JULY 2022 TO 30 JUNE 2023.

1. PURPOSE OF THE REPORT

This report aims to provide the Municipal Council with detailed recommendations on the adoption of the Draft Annual Report for the 2022/2023 Financial Year, as the first draft has been tabled to Council on the 30 January 2024 Council sitting. This process complies with section 127(a)(b) and 129 of the Local Government Municipal Finance Management (Circular 32 and 63) on the presentation of Annual Report and processing of the Oversight Report.

The following table displays the nature of the accountability framework for the local government.

Role players	Responsibility	Plays oversight over	Accountable to
Council	Approving policy, budget and SDBIP	Executive Mayor or Committee.	Community
Executive Mayor or Committee	Policy, budgets, SDBIP outcomes.	Municipal Manager	Council
Municipal Manager	Outputs and implementations.	Administration	Executive Mayor or Committee.
Chief Financial Officer and Senior Managers.	Outputs and implementations.	Financial Management and Operational Functions.	Municipal Manager.

The Municipal Public Accounts Committee compiles the Oversight Report as an assurance tool for the Municipal Council, as this is the Section 79 committee established to assist the Council in its processes of accountability. The Annual Report provides an opportunity for the Municipality to interact with the public on the key achievements and areas needing improvements. This is expected to be in line with the Integrated Development Plan (IDP) as adopted by the Council, and the Service Delivery Budget and Implementation Plan (SDBIP) of the Municipality.

2. AUTHORITY

The Municipal Public Accounts Committee (MPAC) is established in terms of Section 33 and 79 of the Municipal Structures Act (No. 117 of 1998).

3. LEGISLATIVES/STATUTORY REQUIREMENTS

The Constitution of the Republic of South Africa.

Local Government: Municipal Structures Act (No. 117 of 1998)

Local Government: Municipal System Act (No. 32 of 2000), as amended.

Local Government: Municipal Finance Management Act Circular No: 11 of 2005

Local Government: Municipal Finance Management Act Circular No: 63 of 2003

Local Government: Municipal Finance Management Act Circular No: 32 of 2006

4. BACKGROUND

Section 129 of the Local Government: Municipal Finance Management Act (No. 56 of 2003) requires that "...the Council of the Municipality...**by no later than two months** from the date on which the annual report was tabled in Council in terms of section 127, adopt an Oversight Report containing the Council's comments on the annual report..."

The Dr J S Moroka Local Municipality Council considered the 2022/2023 Draft Annual Report as tabled by the Executive Mayor at the Council meeting held on the 30 January 2024; this is to comply with the MFMA circular 63. The intension, as communicated to MPAC was that the whole process will culminate with the adoption of the final annual report then oversight report.

In complying with the provision of section 127(5) (MFMA,2003) the Draft Annual Report was thereafter made public, placed on the municipal website, and all municipal offices for public to engage with the draft and submit comments within 21 days after the publication of the report. (A copy of the advert was provided to MPAC)

The Dr J S Moroka Municipal Council delegated the responsibility of the Oversight Report on the Annual Report to MPAC in terms of Council Resolution (**208.01.2024ND**) dated 30 January 2024 and therefore the MPAC has the responsibility to:

- Consider and evaluate the Annual Report as tabled to Council, and thereafter make recommendations to Council in this regard.
- Compile an Oversight Report and table it for discussion and adoption by Municipal Council; this is in terms of Section 129 of the MFMA.

The Municipal Public Accounts Committee (MPAC) through its work has verified whether the information contained in the Annual Report is a fair and reasonable record of the performance of the Municipality and properly accounts for the actions of the Municipality in the financial year reported on.

5. MEMBERS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The Municipal Public Accounts Committee (MPAC) is a committee of Council established under Section 79(a) of the Municipal Structures Act (MSA) 1998. Section 79(a) 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 for members of the Executive Committee to be members of the MPAC.

Members of the Municipal Public Accounts Committee (MPAC)

Councillor Mashishi M W Chairperson
Councillor Ngubeni P N
Councillor Mabena J S
Councillor Masumbuka M P
Councillor Matlaila B J
Councillor Mtsweni T L
Councillor Majombosi T R
Councillor Rankapole M M

6. EXPOSITION OF FACTS

6.1 OVERSIGHT PROCESS

6.1.1 Introduction

The Municipal Public Accounts Committee (MPAC) developed a detailed and consultative process plan for it to conclude the oversight report and communicated such to the Executive which was agreed upon and ultimately adopted by Municipal Council.

6.1.2 Presentation of the draft Annual Report to MPAC.

The Executive Mayor, Hon. Cllr Mtsweni N S, presented to Council the Draft Annual Report for 2022/2023 financial year and it was through Council resolution referred to MPAC for probing and for the compilation of the Oversight Report.

6.1.3 Review of the Draft Annual Report in a strategic working session.

On 14 – 16 February 2024, MPAC held a successful three days strategic working session at Witbank, wherein a detailed presentation of the Draft Annual Report was undertaken by management.

The following managers presented the components of the Draft Annual Report.

Presenter	Designation	Presentations
Mr Maloka K	Divisional Manager: Risk Management Unit	Risk Management
Mr Baloyi L	Divisional Manager: Performance Management System	Draft Annual Report.
Mr Morare S	Chief Internal Audit	Audit Committee Report.
Ms Klaas B	Chief Financial Officer	Audit Report 2022/23.

On the 20th of February 2024, Municipal Public Accounts Committee agreed that it had concluded the packaging of questions to the Executive Mayor and resolved to institute internal hearing in accordance with municipal finance management act (MFMA).

On 1st of March 2024, Municipal Public Accounts Committee through its support staff delivered to the Executive Mayor a set of questions and issues that required immediate attention. The Executive Mayor was then required to respond in writing within seven working days after receipt thereof.

Section 121(3) of the MFMA determines that the Annual Report must include the following key points:

Section 121(3) of the MFMA requirements	MPAC Comments
A. The Annual financial statements of the municipality, and in addition, section 122(2) applies the consolidated annual financial statements as submitted to the Auditor-General.	The Annual Financial Statements as submitted to the Auditor General is included in the Annual Report.
B. The Auditor General audit report is included in the annual report in terms of section 126(3) on above mentions financial statements.	The Auditor General report is included in the annual report.
C. The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act.	The Annual Performance report of the municipality is included in the Annual Report.

D. The Auditor General audit report in terms of section 45(b) of the Municipal System Act.	The Auditor General report is included in the Annual Report.
E. An assessment by the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year.	The assessment referred to in this instance is included in the Annual Report.
F. Particulars of any corrective actions taken or to be taken in response to issues raised in the audit report referred to in paragraphs (b) and (d).	These particulars are included in the Annual Report.
G. Any recommendations on the municipality's audit committee report.	These comments are included in the audit report.
H. Any other information as determined by the municipality.	The committee wish to indicate that no objection has been received from the public.
I. Any other information as may be prescribed.	It is further noted that the equitable share is not sufficient for effective service delivery.

The Municipal Public Accounts Committee (MPAC) was pleased with the responses from the Office of the Executive Mayor that were received on the 11th of March 2024 and considered such fair and satisfactory.

6.1.4 The Clarity seeking meeting with the Executive Mayor.

As the Committee, we noted that Section 127 of the MFMA still requires the Draft Annual Report to be adopted by the Municipal Council not later than the 31st **of January**, with the final Draft Oversight Report adopted not later than the 31st **of March**.

In our view, and as suggested by the contents of the MFMA circular 63, practice of presenting the first Draft Annual Report in August enhances the Municipal Council Oversight, and that it can be commended if this could be phased in as it was practiced in some previous financial years. This is based on a tight schedule of the Executive and the Management in the third term (January-March) not unless proper planning can be ensured. MPAC noticed

that the process of optimally interacting with the executives is one way infringed during this period, as well, the good practice of bringing the Draft Oversight Report to Council is deprived due to tight schedules on our time frames.

6.1.5 Committee mandate

As mandated in terms of the Municipal Council resolution and other applicable legal prescripts, indeed MPAC embarked on an extensive oversight process as reflected above.

We must further note that in considering the contents of the Draft Annual Report, the Committee also assessed and referred on the following key documents:

- MFMA Circular 63: Annual Reports Guidelines
- MFMA Circular: 32 Oversight Report
- In year Audit and Performance Committee Reports.
- Audit Report 2022/2023
- SDBIP 2022/2023
- IDP 2022/2023
- Annual Report 2022/2023

The Committee wish to inform that the minutes of all meetings held, and correspondences made are available and can be availed as formal record of the proceedings of the oversight process undertaken on the Draft Annual Report 2022/2023 financial year.

6.2 KEY COMMENTS

Circular 32 of the National Treasury recommends that the summary of key issues raised be captured in the Oversight Report. It is against this background that we are summarizing such key issues and comments from the Audit Committee, Council and Management.

6.2.1 The Dr J S Moroka Municipal Council.

Minutes of the Council sitting which referred to the 2022/2023 Draft Annual Report were noted.

6.2.2 The Auditor-General's Opinion and Responses by Management.

The Audit Report on the 2022/2023 financial year was presented as included in the Draft Annual Report, and the Audit Action Plan respectively.

The Municipal Public Accounts Committee highly commended the monthly monitoring implementation approach of the Audit Action Plan adopted by the Council.

6.2.3 Comments from the Provincial Treasury and COGTA

No comments received from the Provincial Treasury on the Annual Report for the year under review.

Projects Visits

Projects inspection is the prerequisite of accountability for good governance especially in the context of Dr J S Moroka Municipality where roads infrastructure and water remain major challenges. MPAC sampled projects working with Technical Department and formulated a consolidated project visit plan that was implemented with the involvement of external bodies.

MPAC visited the following projects emanating from the 2022/23 Draft Annual Report.

Project description.	Committee recommendations
1. Construction of 1,5km at Siyabuswa C Bus and Taxi route (Next to Vezulwazi)	<p>Stormwater drainage is partly dilapidated which requires serious attention.</p> <p>The executives committed to visiting the project and verify the quality of the work done.</p> <p>MPAC to visit the project end of April 2024.</p>
2. Construction of 1,2km at Mmamethlake Bus and Taxi route.	<p>The contractor to install a pedestrian crossing sign on the 14 April 2024.</p> <p>MPAC to visit the project end of April 2024.</p>
3. Construction of 1,2km at Radijoko Bus and Taxi	<p>The PMU Department is on site to fix stormwater and</p>

	<p>re-direct water drainage.</p> <p>MPAC to visit the project end of April 2024.</p>
4. Upgrading of sports facility-Ga-Morwe sports complex.	<p>The municipality has a person who is trained to monitor the lawn.</p> <p>MPAC to visit the project end of April.</p>
5. Progress on the construction of sewer reticulation at Libangeni phase 2.	<p>MPAC recommend that the executives should apologies to the community of Libangeni for the delay of the project since the matter is in court now.</p>
6. Progress on the construction of sewer reticulation at Ga-Phaahla.	<p>MPAC identified minor challenges and recommended that the councilor should meet with the affected household to resolved matter and report to the committee.</p>
7. Phase 1: Replacement of 3,7km asbestos bulk line pipe to HDPE including installation of 100m steel pipe and air valve, butterfly valves, bulk water meters, scour valves, strainers, accessories, and construction of rectangular manhole.	<p>The executives noted incorrect measurement of the connector block from the main purification plant.</p>

	The executives to seek advice from the engineer in connection with the suitable connector angle.
8. Phase 1: Replacement of 1km asbestos bulk line to HDPE including installation of 100m steel pipe and air valve, butterfly valves, bulk water meters, scour valves, and construction of rectangular manhole.	There are no matters raised concerning the projects.

MPAC Public Participation/Hearings

Section 130 of the MFMA stipulates that public participation must be a central element of all processes relating to an Annual Report. Public hearings are an important activity in the life of the municipality. They allow public participation in how municipal finances have been spent. The local community was invited to submit representations in connection with the annual report as prescribed section 127(5)(a)(ii).

The Municipal Public Accounts Committee (MPAC) noted with concern the non-submissions of public comments in relation to the report. It was however suggested that MPAC should embark on magisterial visits to allow the Executive Mayor to present the annual performance of the municipality for the financial year ended 30 June 2023. The magisterial visit was allocated as follows:

The Hon, Executive Mayor presented the annual performance report of the municipality for the financial year ending 30 June 2023 as reflected hereunder.

Type of a meeting.	Venue	Date	Comments
MPAC Public meeting.	Ga-Morwe Community Hall.	18 March 2024. 10h00	The Executive Mayor successfully presented the report to the stakeholders. We have noted that most of our people still confuse the probing of the annual report to be IDP Indaba.

MPAC Public meeting.	Nokaneng Community Hall.	19 March 2024. 10h00	The Executive Mayor presented the report without failure and community members were given fair opportunity to address council. The Municipal Manager assisted in responding to questions in accordance with section 129(2)(a) of the MFMA.
MPAC Public meeting.	Libangeni Community Hall.	20 March 2024. 10h00	The Public meeting was postponed due to other factors beyond our control. The matter will be resolved in the next financial year.

6.2.4 Municipal Public Accounts Committee (MPAC)

The strategic working session convened by the Committee over three days from 14 to 16 February 2024 concluded its business by raising issues through some correspondences to the Office of the Executive Mayor. Those issues and questions were subsequently responded in writing. Perhaps we should highlight that engagements are in progress for the best ways of implementing Audit Action Plan that will respond accurately to the issues raised by AGSA.

Implementation of recommendation of the Audit Committee and those of Internal Audit is of paramount importance to MPAC throughout the year as these forms the basis for the in-year oversight work and a standing invitation of the MPAC Chairperson in the Audit Committee meetings is of **highly regard** to MPAC operations.

After MPAC has interrogated the annual report and satisfied with the responses by the Executives and Management during the Internal Hearing dated 25 March 2024 at Thabane Community Hall, meeting of the 27 March 2024 resolved to adopt the Draft Oversight Report

presented, this is in consideration with Treasury Regulations with regards to the time frames for submission of the Oversight Report. Questions and responses emanated from 2022/2023 Annual Report

Section 129(2)(a) of the Municipal Finance Management Act 56 of 2003 states that the accounting officer must attend committee meetings where the annual report is discussed, particularly for the purpose of responding to questions concerning the report. In line with the above provision the questions that emanated from the Annual Report for the year under review were delivered to and received by the office of the Executive Mayor on the 1st of March 2024 and the meeting at which responses were tabled was convened as follows:

Type of a meeting	Date and Venue	Summary and outcome
Responses and considerations to questions emanating from annual report 2022/2023 FY.	25 March 2024 Thabane Community Hall.	The Executive Mayor presented responses to questions emanating from the annual report 2022/2023 FY.

7. IMPLICATIONS

7.1 STAFF

The administration assigned officials to provide secretariat, research, logistical and technical support to the Committee.

8. PARTIES CONSULTED

- The Executive Mayor
- The Speaker
- The Chief Whip
- The Accounting Officer and Heads of Departments.

9. KEY FOCAL AREAS THAT REQUIRE INTERVENTION

As there are findings to be addressed in this report, only the most critical findings will be addressed in detail, first, non-monitoring of contractors/service providers monthly. Secondly, failure to keep credible and reliable evidence on the reported performance information, this jeopardizes the oversight ability as we are relying on information that is not useful and credible for target achieved in service delivery indicators.

The collection of revenue is the primary source of funding that the municipality uses to provide service. While revenue from the sale of water, refuse removal and sewerage and sanitation irritating. It is concerning that the revenue billed will not be collected as the municipality is struggling to collect revenue, this will negatively impact the municipality to fund its operations as it relies on the revenue from rates and services charges to fund the operation.

The municipality has the highest balance of the unauthorized, irregular, fruitless and wasteful expenditures. The continuous hike in the irregular and fruitless and wasteful expenditures is a deep concern to the committee. Though the MPAC did not do much in recommending the recoveries/write offs during the year under review.

When looking at corrective controls, a key document required by legislation is the annual remedial action plan to address the findings of the AGSA. In the view of the committee, the current plan is appropriate and does appear to be helpful addressing audits findings. During questions and responses session the committee enquired about the development of the effective strategies to reduce the UIFW, Management indicated that the unbundling of the UIFW is at advanced stage and such reports would be tabled to MPAC prior the submission to council.

10. CONCLUSION

The Auditor-General has indicated that there has been much improvement in the financial year under review although there are still matters of concern that need to be addressed as matter of urgency. The municipality must strategically implement its audit action plan to do away with repeat findings.

Findings made by the Auditor-General and recommendations made by the MPAC provide as a guide on areas where the municipality's focus should be in terms of performance. The current audit outcome are clear indications that findings are taken into consideration, however MPAC noted that the municipality has mostly received repeat findings from its previous Audit outcomes in the past financial years. The administration must also ensure that necessary internal controls systems are developed across all directorates to curb the issue of non-compliance. Concentrated effort must be made to ensure that consequence management is implemented to curtail unnecessary unauthorized, irregular, fruitless and wasteful expenditures.

My thanks go to members of this committee for their hard work and dedication during these meetings and for making sure that they always ready and

prepared to engage on matters presented before the committee for consideration, their contribution is highly valued.

The Chairperson of MPAC would like to acknowledge the contribution of all members of the Committee, especially the MPAC administrative staff, for their dedication and hard work in completion of this report. In particular, we would like to thank the Municipal Manager, the CFO for always being available to provide necessary support to the Committee, the Internal Audit for their relentless assurance. The Risk Management for the support given to the Committee as well as the Auditor General South Africa. We also thank the Executive Mayor, Mayoral Committee, Chief whip, Speaker, Chairpersons of Section 79 Committees, Councilors, Ward Committees, Traditional Councilors and Community Development workers for their support during the process of completing this report.

11. RECOMMENDATIONS

It is recommended to Council that,

- Council adopts the Draft Oversight Report.
- In line with Section 129(1) Council approves the 2022/2023 Annual Report without reservations.
- The Oversight Report be made public in terms of Section 129(3) of the MFMA.
- The Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the MFMA.
- The Accounting Officer ensure strict adherence to the implementation of the audit action plan. A progress report be submitted to the MPAC on quarterly basis.
- Management must ensure that the financial statements are prepared well in advance to avoid a minimize errors. Clear timeframes for the preparation of the annual financial statements must be set and adhered to.
- Consequence management needs to be applied and disciplinary steps must be taken against staff who cause or permit such expenditure and any losses incurred must be recovered from those staff members responsible.

- The Accounting Officer submit an updated risk register with mitigating risk strategies to the MPAC within 30 days of the tabling of this report.
- That there must be an effective maintenance plan which includes regular inspections of water infrastructure to complement the war leaks program.
- That through assessment of the revenue management system be undertaken to establish whether it has the capacity to manage the municipality revenue effectively and efficiently.
- A lot of focus and weight is given to the Audit Action Plan in the Oversight Report to improve the qualified Audit findings, to ensure that the Audit Action indeed become effective and quarterly oversight meetings will be conducted between MPAC and the Accounting Officer to monitor the progress.