

# MHLONTLO LOCAL MUNICIPALITY



## MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) OVERSIGHT REPORT ON DRAFT 2022/23 ANNUAL REPORT

28 MARCH 2024

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## 1. PURPOSE OF THE REPORT

This report seeks to present to Council:

- The Oversight report on the assessment, scrutiny, analysis, and recommendations for noting, consideration and approval.
- The Annual Report for 2022/23 financial year and adopt an Oversight Report in terms of Section 129 (1) of Local Government Municipal Finance Management Act 56 Of 2003 (MFMA), for consideration and approval of the recommendations.
- A record of achievements of the municipality during the financial year under review for consideration.
- Performance of the municipality against budget for the financial year under review.
- Promote accountability throughout governance, management, supervisory and staff levels of the municipality.

## 2. INTRODUCTION

Council is vested with the responsibility to oversee the performance of the Mhlontlo Local Municipality, as required by the Constitution of the Republic of South Africa (1996), Local Government Municipal Finance Management Act 56 of 2003, and the Local Government Municipal Systems Act 32 of 2000.

The purpose of the Annual Report is as follows:

- To provide a record of activities of the municipality during the 2022/23 financial year,
- To provide a report on performance in service delivery, against the Integrated Development Plan (IDP) and the budget implementation for the 2022/23 financial year,
- To provide information that support the revenue and expenditure decisions made throughout the 2022/23 financial year,
- To provide information of a financial and non-financial nature,
- To report actual performance against what was planned and contained in the 2022/223 IDP,
- To reduce the additional reporting requirements that will otherwise arise from government departments, monitoring institutions and financial institutions,
- To assist councilors, community and oversight structures with progress information made on service delivery,
- To promote accountability to the local community, other spheres and organs of government, role players and stakeholders for decisions made,
- Must align with the IDP, SDBIP, Budget, Service Delivery Plans, In-Year reports and is to inform decision making,
- 2022/23 Annual Report information feeds into the next IDP process.

It is provided to the following institutions/structures:

- National Treasury for records
- Provincial Treasury for comments
- Provincial COGTA for comments
- Auditor General for comments and auditing
- MPAC for oversight, verification, analysis, evaluation and community consultation,
- Committee of Council to verify performance of Section 57/56 employees in terms of their performance agreements.

The Council must consider the Oversight Report on Annual Report by no later than two months from the date on which the Annual Report was tabled in the Council, i.e., 31 January 2023.

### 3. BACKGROUND

The Mhlontlo Local Municipality Council resolved at its meeting held on 31 January 2023, where the Draft Annual Report was tabled, as follows:

- i) That the 2022/23 Draft Annual Report be submitted to MPAC in order to consider and evaluate the 2022/23 Draft Annual Report, to provide a detailed analysis and review thereof and to submit an Oversight Report to Council on or before 31 March 2024.
- ii) That the Draft Annual Report be submitted to the Office of Auditor General, Provincial Treasury and Provincial Department of Cooperative Governance and Traditional Affairs,
- iii) That the Accounting Officer publishes the Draft Annual Report for public comments and recommendations.

The Municipal Public Accounts Committee (MPAC) consists of the following members:

INITIALS and SURNAME	Position
1. Cllr S Ntunktezi	Chairperson
2. Cllr B Rasmeni	Whip Member
3. Cllr Mthitshana	Member
4. Cllr Z Makinana	Member
5. Cllr B Ntamo	Member
6. Cllr V Nododana	Member
7. Cllr S Bontsa	Member
8. Cllr K Mpula	Member
9. Cllr S S Sophangisa	Member
10. Nkosi Bikwe	Member

#### 4. LEGISLATIVE FRAMEWORK

The following relevant legislation and relevant sections were considered during the oversight process as follows:

- Municipal Finance Management Act 56 of 2003 (MFMA):  
Chapter 12 section 121

- Every municipality must compile an annual report,
- Preparation and adoption of the Annual Report.

Sections 71, 72, 52(d), 75

- Monthly budget statements,
- Mid-Year budget and Performance assessment,
- Mayor's quarterly report to the Council on the implementation of budget and the financial situation of the municipality.
- Information to be placed on Municipal Website

- National Treasury MFMA Circulars No 11, 32, 63

Require an unaudited report to contain.

- Financial statements derived from in-year reports,
- Annual report guidelines,
- Standardizes reporting to enhance comprehensive oversight, meaningful evaluation, and improved understanding of service delivery output,

- National Treasury MFMA Reforms

- Ensure transparency and accountability for the fiscal and financial affairs of a municipality through an in-year and annual reporting,
- Requirement of clear linkages with IDP, Budget, Service Delivery Agreements with an entity where applicable.

- Municipal Systems Act 32 of 2000:

Section 42,45,46

- Community involvement in the development, implementation, and review of performance management system
- Audit of performance measurement as part of internal auditing process
- Preparation of annual performance report that forms part of Annual Report

#### 4. FUNCTIONS OF OVERSIGHT COMMITTEE ON DRAFT ANNUAL REPORT

The MPAC Oversight Committee has been delegated by the Council with responsibility to:

- a. Undertake a review and analysis of the Draft Annual Report,
- b. Invite, receive, and consider inputs from councilors, portfolio committees, on Annual Report,
- c. Consider written comments received on Draft Annual Report public consultation,
- d. Conduct public hearings to allow local community and any organs of state to make representations on the Annual Report,
- e. Receive and consider Auditor General (AG), Audit Committee (AC), Council views and comments on Annual Financial Statements (AFS) and Performance Reports,
- f. Draft and prepare oversight report, taking into consideration the views and inputs of the public, AR, AC, Councillors, Organs of state, etc.,
- g. Conduct meetings and public hearings to receive and hear public submissions o the Annual Report.

5. OVERSIGHT ON ANNUAL REPORT PROCESS PLAN

1.	Draft Annual Report tabled in Council	Municipal Manager	January 2024
2.	Publish availability of 2022/23 Draft Annual Report in printed media as well as on Municipal Website. Invite all interested parties to comment and state closing date for submission of comments	Municipal Manager	16 February 2024
3.	Draft Annual Report be made available at Municipal offices, e.g. Qumbu and Tsolo	Municipal Manager	16 February 2024
4.	Submit Draft Annual Report to Auditor General, Provincial Treasury, Provincial COGTA, Audit Committee	Municipal Manager	January/ February 2024
5.	MPAC Working sessions on assessment, perusal, evaluation of Draft Annual Report Formulate questions and checklist for oversight process	MPAC	26-01 February 2024
6.	Project site visits, in loco inspection	MPAC	11 - 14 March 2024
7.	Public Hearings on Annual Report	MPAC	15 March 2024
8.	MPAC sitting	MPAC	18 – 22 March 2024
9.	Input from Speaker, Mayor, and Municipal Manager	Mayor, Municipal Manager	20 March 2024
10.	Input from Municipal Manager, CFO, and all Directors	MM, CFO, Directors.	20 March 2024
11.	Once submissions are made after the closing date, analyse comments, agree on content and Recommendations to Council.	MPAC	22 March 2024
12.	Preparation of Oversight Report and submit report with recommendations to Council	Technical support to MPAC	25 March 2024
13.	Table Oversight Report at Council meeting	MPAC	28 March 2024

7. CHECKLIST AND QUESTIONS

7.1. Mayor and Municipal Manager

Chapters according to be considered	MPAC consideration	Comment /Response
Chapter 1	<p>Mayor's and Municipal Manager's Foreword and Executive Summary</p> <p>Mayors foreword must include a statement confirming that MLM Strategic Plan is aligned with the Provincial Development Plan and OR Tambo district strategy</p> <p>Public Participation must also mention the specific programmes of public participation like IDP roadshow and mayoral outreach/lmbizo</p> <p>Agreement and Partnership must include the agreement with EPWP (Public Works)</p> <p>Municipal manager foreword must include a summary of functions and powers of the municipality in relation to section 155/156</p> <p>Arrange the information according to circular 63 of MFMA</p> <p>Reflect on summary of Risk Management assessment and top 5 Strategic Risks, include Audit Committee and Internal Audit Unit instead of CAE. Reflection of previous audit opinion.</p> <p>Source of Information on Population Statistics (accuracy &amp; POE)</p> <p>Refer to the circular 63 of the</p>	Corrected



	MFMA	
Chapter 2	<p>Governance</p> <ul style="list-style-type: none"> <li>• Correction on the number of Traditional Leaders (2) not 10.</li> <li>• Incorrect information on Senior management positions</li> <li>• Information on National IGR that the municipality did not attend any (Clarity).</li> <li>• Public Meetings- MPAC public are not included.</li> <li>• Exclude reasons of reduction of ward committee numbers.</li> <li>• Correct all information in T.2.4.3.</li> <li>• T. 2.4.3.1 to check response in row 3&amp;4</li> </ul> <p>COMPONENT D.</p> <ul style="list-style-type: none"> <li>• Should consider to include senior management vacancies amongst the risks in 2022-23 and section 52d because those are compliance issues for the municipality.</li> </ul> <p>Performance in relation to municipal governance continues</p>	Corrected

	to be below 100%, please explain the root cause and how this will be addressed?	
Chapter 3	<p>Service Delivery Performance Component B.</p> <ul style="list-style-type: none"> <li>• On Waste management-difference number houses hold accessing waste removal services.</li> <li>• Clarity on construction road surfacing Kilometres (7.78) T.3.7.6.</li> <li>• Provide progress report on capital projects.</li> <li>• Correction on the financial year reporting on overall performance on roads.</li> <li>• 3.8. should specify services rendered in both units on Vehicle licensing and public bus operation.</li> <li>• Provide possible solution on challenges.</li> </ul> <p>Component C</p> <ul style="list-style-type: none"> <li>• Information is outdated please provide correct information for in-year reporting .</li> <li>• 3.17. Clarity in tree planting (areas where there were planted).</li> <li>• 3.18. provide information from sector departments such number clinics from Dept. Health.</li> </ul> <p>COMPONENT H</p> <ul style="list-style-type: none"> <li>• 3.24. Clarity on construction of sport facilities and community</li> </ul>	Corrected

	halls.	
Chapter 4	<p>Organisational Development Performance Component A</p> <ul style="list-style-type: none"> <li>• Provide accurate information in all tables</li> </ul> <p>Component B</p> <ul style="list-style-type: none"> <li>• Provide all policies adopted by council.</li> <li>• Correct information on Municipal Departments e.g. exclude strategic services. Add BTO.</li> </ul> <p>Reconcile 4.1 employee totals and vacancies with employee information in various sections of Chapter 3. Only Finance seems to be correct.</p> <p>4.1 Number of employees for 2022/2023, Vacancies, vacancy rates and total number of terminations need to be verified/corrected.</p> <p>Staff turnover rates need rework. Please apply formula specified on footnote ,turnover rate for 2022/23. Please recalculate for all departments.</p> <p>T4.3.2 Sick leave and cost of sick leave incomplete, calculate estimated cost of sick leave.</p> <p>T4.3.6 not populated, please complete.</p> <p>4.4 Performance Rewards: please give context by providing a summary of Mhlontlo Performance Management Framework as approved by Council. Go through the whole</p>	Corrected

	section again, and correct contradictions.	
Chapter 5	Financial Performance  Clarity on bank rows in T.5.1. on cash flows (variance). EPWP incentive budget and EPWP DEDEAT be explained. T.5.8.4, Why not populated.	- The table has been updated. - The table has been updated. The EPWP Incentive is the EPWP Grant and has been updated as such. - The EPWP DEDEAT is no longer applicable as such it has been removed. - Has been amended, refer to table 5.8.3  CFO to sign in page 123.
Chapter 6	All the information provided incomplete, incorrect, and outdated in all appendices.  CFO to sign T^2.5 page 123.  Please complete Annexures G, H, I, J, K, L, M, O, P, Q, R and S. (Appendices H, P, Q, R, and S indicate that those are not applicable to MLM)	Corrected

### 7.2 Portfolio Heads, Municipal Manager, CFO and all Directors

Information to be included in AR	MPAC Considerations and Questions	Response/ Comments
1.Financial Matters – Section 121(3)(a) to (k)		
121(3)(a) Annual Financial Statements (AFS) and if section 122(2) applies, consolidated AFS, as submitted to Auditor-General (AG) for audit in terms of section 126(1)	Has consolidated AFS been submitted to AG on time?	Yes, the AFS were submitted on the 31 August 2023.
121(3)(b) AG's audit report in terms of section 126(3)	Has AG's report on the AFS been provided?	Yes, the signed audit report was submitted to the Accounting Officer on the 30 November 2023 and 01

on those AFS		December 2023, the hard copy.
121(3)(c) Annual Performance Report (APR) prepared by the municipality in terms of section 46 of Municipal Systems Act (MSA)	Has APR been prepared and submitted to AG on time?	Yes, the APR were submitted on the 31 August 2023.
121(3)(d) AG audit report in terms of section 45(b) of MSA	Has AG's report on the APR been provided?	Yes, the signed audit report was submitted to the Accounting Officer on the 30 November 2023 and 01 December 2023, the hard copy.
121(3)(e) An assessment by Accounting Officer (AO) on any arrears on municipal taxes and service charges	Has adequate assessment on arrears on municipal taxes and service charges been included? Is there sufficient explanation of causes of arrears and actions to be taken to remedy the situation? Is there any other action required to be taken?	-The assessment has been included in the Annual Report for 2022/2023. -The explanation on arrears will be provided on the Annual Report
121(3)(g) particulars of any corrective action taken or to be taken in response to issues raised in the audit reports both AFS and AG report	The conclusions of audit report -list all findings, matters of emphasis and other matters. -Audit action plan with due dates -Any repeats from previous audits	The audit action plan and audit report were incorporated in the draft annual report.
121(3)(h) any explanations that may be necessary to clarify issues in connection with the financial statements	Review any other information included in AFS	N/A
121(3)(i) any information as determined by the municipality	Review any other information included in AFS	Notes to the AFS have been included in the AFS.
121(3)(j) any recommendations of the Audit Committee	Have recommendations of Audit Committee (AC) in regard to AFS been adequately addressed? What action need to be	Recommendations by Provincial Treasury, Internal Audit and Audit Committee were in the AFS submitted to AG.

	<p>taken in terms of these recommendations?</p> <p>Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	
121(3)(k) any other information as prescribed	<p>Have recommendations of other bodies, e.g. Provincial COGTA, Provincial Treasury and Auditor General in regard to AFS been adequately addressed?</p> <p>What action need to be taken in terms of these recommendations?</p> <p>Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<p>Recommendations by Provincial Treasury were incorporated, recommendations by AG have been incorporated in the Audit Action Plan.</p>
2. Disclosures – Sections 125(1), 123(1)(c), 124,	AR to disclose:	
-Allocations received and made by municipality	-details of allocations from another organ of state, both nationally and provincially	Grant allocations are included in Page 108 of the Annual Report.
	-details of allocation from district and local municipality	n/a
	-details of allocation from any source i.t.o. section 214(1)(c) of the Constitution	n/a
Information in relation to outstanding debtors and creditors	<p>Has municipality met its statutory commitments:</p> <p>-are there any amounts owed to them and persistently delayed beyond 30 days by national and provincial levels of government</p>	<p>Yes, the information is included in the AFS under receivables.</p> <p>-Department of Public Works is the most owing debtor and their reason is due to the land being un surveyed.</p>

-Be satisfied that the information is properly disclosed  
 -conditions of allocations are met  
 -are all explanations provided acceptable?

### 8. PROJECT SITE VISITS – IN LOCO INSPECTION

The committee conducted projects site visits, in loco inspection, on the following projects:

Project Name	Status per AR	Source of funding	Project start date	Project completion	MPAC Verification	Current Status
Batyi Access Road Ward 01	Completed	MIG	25 September 2022	17 May 2023	Satisfied	Usable and there value for money
Nomhala to St Cuthbert's ward 03	Practical Completion	MIG	04 May 2023	04 February 2024	MPAC was partially satisfactory, there were snags identified on both bridges	Usable though not yet completed
T-213 to Cameroon Ngudle Ward 05	Incomplete	MIG	04 October 2022	19 April 2023	The project was rolled over to 2023/2024 FY due issues raised by community members ( <i>Quality of material was not accepted</i> )	Not Usable
Tsolo Bulk Storm Water Phase 1 Ward 06	Practical complete	MIG	-	-	Satisfactory with the progress	Functional the is value for money.
Tsolo Emergency water and Sanitation Ward 06	Completed	Equitable Share	25 April 2022	17 January 2023	Satisfactory	Functional and there is value for money

Tsolo service centre Ward 06	Practical complete	Equitable share	25 April 2022	17 January 2023	Satisfactory	Functional and there is value for money
Motor Vehicle Testing Centre Ward 06	Completed Phase 1	Equitable Share		10 November 2023	Satisfactory	Waiting for construction of phase 2
Tar to Suthwini Ward 07	Completed	MIG	26 July 2021	16 February 2023	There is still a need to construct a dish drain enroute to the bridge	Usable and there is value for money
Shawbury to Mncetyana Access Road Ward 09	Incomplete	MIG	12 September 2022	27 March 2023	Very unsatisfactory, poor construction and there was totally no value for money.	Not conducive to be used.
Sbhoko to Stadium ward 14	Completed	MIG	14 May 2022	30 June 2023	Satisfactory	Usable and there is value for money
Mvumelwano Sport field ward 14	Phase 2 Completed	MIG	13 November 2020	24 February 2023	Satisfactory	Not functional due incomplete phase 1 construction
Gqunu Farms Access Road ward 15	Completed	MIG	11 November 2021	16 March 2023	Satisfactory	Usable and there is value money
Qumbu Emergency water and sanitation Ward 15	Completed	Equitable Share	07 May 2022	13 January 2023	Satisfactory	Functional and the is value for money
Qumbu Sport Field	Incomplete	MIG	23 October 2020	-	The Committee requires to be furnished with detailed information	Not functional.



**6. INPUT AND COMMENTS RECEIVED**

**6.1 OFFICE OF AUDITOR GENERAL (AG)**

<b>Chapter</b>	<b>Section and page number</b>	<b>AG Comment</b>
6	6.1. Audit Report pg.309	The audit report annexure in the draft annual report is not included when compared to the signed audit report sent to the municipality on the 30 November 2023.
	6.2. Annual Financial Statements pg. 329	The audited annual financial statements in the draft annual report have missing page numbers 13 to 27 when compared to the audited and stamped annual financial statements. Municipal functions, population, and environmental overview – page 9
	6.3. Audit Committee Report Pg. 333	The audit committee report is not included in the draft annual report

**6.2 PUBLIC HEARINGS**

Two public hearings were conducted in Tsolo and in Qumbu, and issues raised are as follows:

<b>REGION</b>	<b>ISSUES</b>
Tsolo	<p>Ward 3 community has the following concerns:</p> <ul style="list-style-type: none"> <li>i) Quality of the Nomhala to St Cuthbert's Roads Project</li> <li>ii) MPAC should visit the Nomhala to Cuthbert's Roads Project</li> </ul> <p>Ward 4 community raised an issue about</p> <ul style="list-style-type: none"> <li>i) budgeting for Tsolo Stadium operations</li> </ul>

	<p>Ward 7 community</p> <ul style="list-style-type: none"> <li>i) MPAC should visit the tarred road in the ward</li> <li>ii) Funding for stadiums should be utilised for Construction and Maintenance of road as there is no value for construction of stadiums.</li> </ul>
Qumbu	<p>Ward 10 community</p> <ul style="list-style-type: none"> <li>i) Qumbu stadium there is no progress and the community would to have more regarding to Qumbu Stadium .</li> <li>ii) Compliments to the committee for the work that they are doing</li> <li>iii) Incomplete road Shawbury to Mcetyana Road</li> <li>iv) The was no agreement between councillor and contractor for the payment of retention.</li> <li>v) Just learnt with a surprise that the retention funds were paid whilst the road is still incomplete.</li> </ul> <p>Ward 15 Community</p> <ul style="list-style-type: none"> <li>i) Gqunu farms the community was happy for the road and they request for maintaince budget</li> <li>i) MPAC must try to visit the project in the early stage</li> </ul>

## 7. CONCLUSION

The 2022/23 Oversight Report noted a slight improvement but still unsatisfactory performance against SDBIP targets and Council must hold the Accounting Officer accountable for non-performance and/or under-performance to enhance good governance and effective governance.

The Draft Annual Report was assessed by MPAC including Project Site Visits – in loco inspection. The comments of the Auditor General (AG) and Audit Committee were considered in the oversight processing of the final 2022/23 Annual Report.

If the recommendations are fully implemented MPAC believes that the municipality will improve in many aspects including financial viability, performance, service delivery, governance, and institutional development.

Municipal Manager should allocate additional resources to the MPAC office, including research capacity.

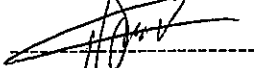
## 8. RECOMMENDATIONS

It is recommended that:

1. Having fully considered the 2022/23 Draft Annual Report, MPAC recommend that Council **adopt the Annual Report with reservations**, submit the final version to relevant authorities, and publish it on the municipal website.

2. The monitoring and management of service providers/ suppliers/ contractors be intensified by departments, to ensure that they perform according to Service Level Agreements.
3. Debt management be intensified, and continuous efforts be made to improve revenue collection.
4. The Accounting Officer and Senior Management pay more attention on improvement of internal controls and compliance to legislation and regulations.
5. The Municipal Manager investigates why it's not yet been established of a customer care desk in both Tsolo and Qumbu to assist with customer care and customer services.
6. The committee recommends further investigates must be conducted and the is no value for money , viz. Construction of road from Shawbury to Mcetyana access road ward 09, and report back to MPAC not later than 15 May 2024.
7. Tar to Suthwini road is completed but the committee recommends that the municipality must consider to budget for dish drains , Nomhala to St Cuthbert's access road committee is not satisfied about the quality of the material used and Qumbu sport field the committee requires to be furnished with the detailed information not later than 15 May 2024

Submitted by



CLLR S NTUKUNTEZI

CHAIRPERSON OF MPAC