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**28<sup>th</sup> MARCH 2022**

**COUNCIL RESOLUTION NO."2022/03/055"**

**OVERSIGHT REPORT ON THE 2020/2021 ANNUAL REPORT FOR DR NKOSAZANA DLAMINI ZUMA LOCAL MUNICIPALITY: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE(MPAC):**

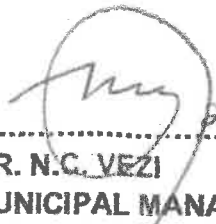
This serves to confirm that at a Special Council Meeting held on the 28<sup>TH</sup> March 2022, the following resolutions were adopted.

**RESOLUTIONS:**

- (a) That MPAC having fully scrutinized and considered the Annual Report of Dr Nkosazana Dlamini Zuma Local Municipality for the 2020/21 Financial Year, therefore Council approves the Annual Report of 2020/2021 Financial Year without reservations.
- (b) That the Oversight Report on the 2020/21 Annual Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
- (c) That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.

**Proposed by: Cllr. X. Zamisa**

**Seconded by: Cllr. P. Mayeza**

  
.....  
**MR. N.C. VEZI**  
**MUNICIPAL MANAGER**

29/03/22  
.....  
**DATE**

# **OVERSIGHT REPORT ON THE 2020/21 ANNUAL REPORT FOR DR NKOSAZANA DLAMINI ZUMA LOCAL MUNICIPALITY: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

**Author:** Cllr MW Mtolo (MTZ / ncv)  
**1<sup>st</sup> level:** Council

## **PURPOSE**

The purpose of this report is to provide comment to the Council on the Annual Report for the 2020/2021 financial year referred to the Municipal Public Accounts Committee by the Council with a resolution number 2021/11/018 dated 29 November 2021 and make appropriate recommendation thereon for adoption.

The Annual Report is the key instrument of transparent governance and accountability. It is a document which provides an overview of the process of financial and non-financial performance in respect of a previous financial period, which in this case is 2020/2021. The adoption of the Annual Report is a legislated requirement in terms of the Local Government Municipal Finance Management Act 56 of 2000 (MFMA). It is important to understand the accountability framework for local government in order to be able to fully and correctly comprehend the role of the Oversight Report as distinct from that of the Annual Report and any other report required in terms of the legislative framework. The oversight report is the report of the Municipal Council that follows consideration and consultation on the Annual Report by the council.

## **LEGAL/STATUTORY REQUIREMENTS**

The following legislative instruments are considered to be applicable: The Constitution (1996)

- Local Government: Municipal Structures Act (1998)
- Local Government: Municipal Systems Act (2000)
- Local Government: Municipal Planning and Performance Regulations (2001)
- Local Government: Municipal Finance Management Act (2003)
- Local Government: Municipal Systems Amendment Act (2003)
- Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006)
- MFMA Circular 32
- MFMA Circular 63 Municipal Public Accounts Guidelines Responsible for Oversight Over Accountable to Council approving policies and Budget

## **BACKGROUND**

The Annual Report for the financial year 2020/21 was prepared by management and tabled in the Council meeting dated 24 January 2022.

Arising therefrom, Council resolution 2021/11/018 dated 29 November 2021 That the Municipal Public Accounts Committee (MPAC report containing the Council' comments on the Annual Report referred to in Resolution No. 09.03 of DR NDZ LM

dated 29 April 2021 be tabled in the Council within 2 Months of the tabling of the Annual Report.

## **EXPOSITION OF FACTS**

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets outlined in their strategic plans namely the Integrated Development Plan (IDP). Annual reports demonstrate how the budget was implemented and the results of service delivery operations for that financial year. This is therefore a backward-looking exercise in order to report on planned vs actual initiatives / activities achieved.

As per Municipal Finance Management Act No 56 of 2003 (MFMA) Circular No 11, "Every municipality is required to prepare an annual report for each financial year in accordance with the MFMA and, during the MFMA transitional period, The Division of Revenue Act and the Municipal Systems Act 2000.

The purpose of the annual report is:

- i. to provide a record of the activities of the municipality;
- ii. to provide a report on performance in service delivery and against the budget; and
- iii. to promote accountability to the local community for decisions made." To provide guidance, National Treasury has issued Circular No 63 which prescribes a uniform template for reporting to facilitate comparisons by National Treasury and users. This template forms the basis for the current Annual Report as tabled in Council.

The goals of the Annual Report format are to achieve the following:

- i. standardize reporting to enable municipalities to submit comparable Annual Reports; align financial and non-financial reporting in the Annual Report;
- ii. create a standardized reporting structure that will enhance comprehensive oversight, meaningful evaluation and improved understanding of service delivery output;
- iii. ensure the standardization of terminology used in Annual Reports;

and iv. support the internal and external audit process." The oversight report is the final step in the annual reporting process. Section 129 of the MFMA requires the council to consider the annual report of its municipality and municipal entities and to adopt an "Oversight report" containing the council's comments on each annual report. As per MFMA Circular 32:

The oversight report must include a statement whether the council: i. has approved the annual report, with or without reservations; ii. reject the annual report; or iii. has referred the annual report back for revision of those components that can be revised." The oversight report is therefore clearly distinguishable from the Annual Report. The Annual Report is submitted to Council by the Accounting Officer and the Mayor and is part of the process for discharging accountability by the management and

administration of the municipality for their performance in achieving the goals that have been set by Council.

There are essentially three parties / roles identifiable in the annual reporting process.

1. The role of Management: Management is responsible for the preparation of the Annual Report and to submit the report to Council. The Council will thereafter refer the Annual Report to the Municipal Public Accounts Committee (MPAC) for consideration.
2. The role of the Committee (MPAC): MPAC is to consider the structure and content of the Annual Report to determine whether it complies with standards set by National Treasury, contains the information required in terms of Circular No 63 and if such content fairly represents the achievements of the municipality over the relevant financial year. After consideration of the Annual Report, MPAC must prepare an oversight report in terms of the relevant circulars and legislation
3. The role of Council: Council' role is to receive and consider the recommendations of the MPAC with a view of taking a final decision on the matter. This report includes the processes undertaken to examine the structure and content of the Annual Report relating to the 2019/20 financial year as presented to MPAC by Management and incorporates the rationale for the recommendation of the MPAC.

## **PREPARATION OF THE OVERSIGHT REPORT**

**Section the 127 (5) (a) (i); (ii) and (b) of the MFMA no. 56 of 2003 states that -**

Immediately after an annual report is tabled in the council in terms of subsection (2), the accounting officer of the municipality must—

(a) in accordance with section 21A of the Municipal Systems Act—

(i) make public the annual report; and

(ii) invite the local community to submit representations in connection with the annual report; and

(b) Submit the annual report to the Auditor-General, the relevant Provincial Treasury and the provincial department responsible for local government in the province.

The Accounting Officer complied with the section referred to above and made public the annual report, issued a public notice inviting the public to make submission on the annual report and submitted the annual report to the AGSA, the KZN Provincial Treasury and KZN Department of Co-operative Governance & Traditional Affairs.

For purposes of the preparation of the draft oversight report,

A notice was published in terms of Section 21A of the Municipal Systems Act, inviting the public and all stakeholders to a public hearing meeting for the tabling of the annual report for public input for purposes of incorporating those inputs into the Municipal Public Accounts Committee's oversight report.

The public hearing was held as follows:

**DATE** : 23 March 2022  
**TIME** : 10h00  
**VENUE** : BULWER HALL

**Members of the MPAC Membership as from 07 November 2019**

NAME OF COUNCILORE	DESIGNATION	POLITICAL PARTY
CLLR MT ZIKODE	CHAIRPERSON	ANC
CLLR NM DLAMINI	MEMBER	ANC
CLLR MW KHUMALO	MEMBER	ANC
CLLR NG DLAMINI	MEMBER	IFP
CLLR L MNCABE	MEMBER	ANC

The members of the MPAC as from 29 November 2021 are:

NAME OF COUNCILLOR	DESIGNATION	POLITICAL PARTY
CLLR MW MTOLO	CHAIRPERSON	ANC
CLLR TC BHENGU	MEMBER	ANC
CLLR D ADAM	MEMBER	DA

DATE OF THE MEETING
21 February 2020
04 June 2020
14 May 2021
17 June 2021

Sites Visits/ Inspections were held as follows during 2020/21 financial year

PROJECT NAME	WARD 1
ED Mnguni Access Road	
Okhalweni Access Road	
Chibini Access Road	
Nkwalini Access Road	
Mqatsheni Access Roads	
Stepmore Access Roads	

Ridge Access Road	WARD 2
<b>PROJECT NAME</b>	
Mantanjana Access Road	
Miya Access Ro	
Njengembali Access Road	
Sutton access road	
Lane 2 Access Road	
Gamdane Access Road	
Mathiya Access Road	
Nkabinde Access Road	
Lane 3 Access Road	
<b>PROJECT NAME</b>	WARD 3
Ekhubeni Access Road	
Maintenance of Reservoir Road	
Maintenance of Mance Road	
Maintenance of Poloway Road	
Maintenance of Spar Road	
Maintenance of Valley View Road	
Maintenance of Valley Access Road	
Maintenance of Ridge Road	
<b>PROJECT NAME</b>	WARD 4
Manqoba Access Road	
Ngxoloba Access Road	
Ngonini Access Road	
<b>PROJECT NAME</b>	WARD 5
Ndulini Access Road	
Khwapheni Access Road	
<b>PROJECT NAME</b>	WARD 6
Maintenance of Nkompolo Access Road	
Khwapheni Access Road	
Induna Access Road	
Mathuneni Access Road	
<b>PROJECT NAME</b>	WARD 7
Road Name	
Mlaba Access Road	
Tsetse Access Road	
Mqondisi Nyide Access Road	
Skokayi Mbanjwa Access Road	
Melokuhle Access Road	
KwaZondi Access Road	
<b>PROJECT NAME</b>	WARD 8
Khalemgodini Access Road	
Malunga Access Road	
Boarderview Access Road	
Mavondweni Access Road	
Mahubo Access Road	
Gamede Access Road	
<b>PROJECT NAME</b>	WARD 9



Sakhile Mtolo Access Road	WARD 10
Ndlovu Access Road	
Matendeni Access Road	
<b>PROJECT NAME</b>	
Echibini Access Road	WARD 11
Sphithi Access Road	
Hlafuna Access Road	
<b>PROJECT NAME</b>	
Macabazini Access Road	WARD 12
Kwashaya Access Road	
Mkhulise Access Road	
St Catherines Access Road	
<b>PROJECT NAME</b>	WARD 13
Ngqikazi Access Road	
Mhlongo Access Road	
Mdleane Access Road	
MaRafael Access Road	WARD 14
Madondo Access Road	
<b>PROJECT NAME</b>	
Duma Access Road	
Mdletshe Access Road	WARD 15
Maintanance of Mbeje Road	
<b>PROJECT NAME</b>	
Khumalo Access Road	
Sokesimbone Access Road	WARD 15
Ngubo Access Road	
Ndabeni Access Road	
Swelakonke Access Road	
<b>PROJECT NAME</b>	WARD 15
Phomela Access Road	
Zitendeni Access Road	
Mahawana Access Road	
Maintenance of Sawoti Access Road	
Jani Access Road	
Extention of Khuphuka Road	

The MPAC examined and discussed the Annual Report in detail. The MPAC also obtained the views of the following stakeholders in order to facilitate the consideration of the Annual Report:

Auditor General South Africa (AGSA); · Audit Committee · Internal Audit. The AGSA conducted a presentation on the 2020/21 financial year audit opinion including the overall control of the municipality

Internal Audit conducted an independent review on the draft Annual Report and tabled their report to the Audit Committee.

The Audit Committee presented its report on the 2020/21 draft Annual Report

## **MPAC FINDINGS:**

The findings of the Committee which provide support for the recommendation of the Committee are detailed hereunder:

Summary of the Committee' Review: The review conducted by the Committee included checking the text and tables within the annual report. The committee considered the initial report that was submitted to the council, and noted by the council on the 24 January 20202. The annual review as also covers all compliance matters relating to Risk Management.

Comments on the Annal Report: The following comments were made by the public on the 23<sup>rd</sup> March 2022.

### **1.2 Ward 9 Operation Sukuma Sakhe**

Community member from ward 9 raised a concern that, there were 56 household's that were identified for the OSS project a long time ago and the project has just recently started.

People have moved away and the original list has been amended and that is causing conflicts.

The contractor has appointed unskilled labour from outside the Ward and that had even caused fights.

Some community members have locked the hall where the tools are stored by the contractor just to frustrate the project.

### **1.3 Ward 15**

2.1 Community member from ward 9 raised that the community members don't need a councillor, Vans that take people to town don't allow people that voted for the ANC on the taxis.

They also raised a complaint their roads are in bad condition and that they need better roads

### **1.4 Ward 15**

Sawoti sports field was not completed according to the design. Gabions baskets were not installed.

He further encouraged the Municipality to ensure that these assets/facilities that are built are properly taken care of.

## **PUBLIC CONSULTATION**

Public consultation in line with the MPAC meeting was held on the 23 March 2022 at Bulwer Hall



## **AG'S AUDIT OUTCOMES**

- Dr Nkosazana Dlamini Zuma Local Municipality has not regressed as it has maintained the unqualified audit outcome for the 2020/21 financial year. However, an investigation of irregular expenditure for the 2020/2021 financial year still needs to be completed.

## **TABLE OF CONTENT**

Alignment of table to content, and to include a table of glossary for all abbreviations

### **CHAPTER 1 MAYOR'S FOREWORD & EXECUTIVE SUMMARY**

No comments from the Municipal Public Accounts Committee

### **CHAPTER 2: GOVERNANCE**

No comments from the Municipal Public Accounts Committee

### **CHAPTER 3: SERVICE DELIVERY**

No comments from the Municipal Public Accounts Committee

### **CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE**

No comments from the Municipal Public Accounts Committee

### **CHAPTER 5: FINANCIAL PERFORMANCE**

No comments from the Municipal Public Accounts Committee

### **PROVINCIAL COGTA'S CHECKLIST ON THE 2020/21 ANNUAL REPORT**

The Municipality received a checklist form the Provincial CoGTA in line with the Annual Report which the municipality fully complained with the components outlined on the checklist

### **CHAPTER 6: AUDITOR GENERAL'S FINDINGS**

The 2020/2021 Auditor General's report has been attached as an annexure to this report. The 2020/21 Auditor's General's report on both the Annual Financial Statements, Annual Performance report which forms part of this report have also been attached as annexure were tabled to Council 24 January 2022. The Municipality have received an unqualified audit opinion on performance information and financial matters.

1. The annual report is not consolidated into one document, we therefore are unable to confirm the numbering of the annual report (e.g., the attachment/appendices need to be consolidated into one AR document, exactly how the municipality will print it out)

2. The AR still refers to that "financial statements- to be attached after the finalisation of the 2020//21 audit", "Auditor General's 2020/21 Audit Report & Management Action Plan – not yet due", "The report is subject to change during and after the internal audit process, finalisation of the Annual Financial Statements for 2020/21, as well as the audit from the Auditor-General (AG) of South Africa."

This is not correct as the AFS and annual report have been finalised – So this would mean this is not your final document (Reflects as draft is should be final).

The Strategic Support Services Unit had then submitted a corrected version of the 2020/21 Annual report taking into consideration the comments from the Auditor General, Internal Audit Unit, Municipal Public Accounts Committee (MPAC), Audit and Performance Audit Committee (APAC) as well as comments from the members of the public.

The Council meeting that was held on 28<sup>th</sup> March 2022 approved the Oversight Report on the 2020/21 Annual Report for Dr Nkosazana Dlamini Zuma Local Municipality.

With Councillor X Zamisa and Councillor P Mayeza Councillor proposing and seconding respectively it was;

#### **RESOLVED**

- (a) That MPAC having fully scrutinized and considered the Annual Report of Dr Nkosazana Dlamini Zuma Local Municipality for the 2020/21 Financial Year, approves the Annual Report of 2020/21 Financial Year without reservations.
- (b) That the Oversight Report on the 2020/21 Annual Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
- (c) That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.

**PREPARED BY: CLLR. MW MTOLO CHAIRPERSON: MPAC**

  
**CLLR MW MTOLO**

28 March 2022  
**DATE**