

# **OVERSIGHT REPORT ON THE 2021/22 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 2021/2022 financial year referred to the Municipal Public Accounts Committee by the Council with a resolution number 2023/01/114 dated 25 January 2023 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 2021/2022. 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 2021/22 was prepared by management and tabled in the Council meeting dated 25 January 2023.

## **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’ 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 2021/22 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** : 15 March 2023  
**TIME** : 10h00  
**VENUE** : BULWER HALL

**Members of the MPAC for the term of office 2016 to 2021**

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 for the term of office 2021 to 2026:

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 FOR BOTH TERM OF OFFICE
28 July 2021 (2016 to 2021 term of office)
02 December 2022
14 March 2022
31 May 2022
28 June 2022

Sites Visits/ Inspections were held as follows during 2021/22 financial year

Item No.	Project Name	Ward
1.	Grader	14
2.	Biofuel Project	13
3.	Wood-chipper	14
4.	Disaster Management Centre	10
5.	Underberg Community Hall	3

The above projects were inspected by the Municipal Public Accounts Committee and the report was discussed at the meeting held on 02 December 2022. The following comments were made upon the site visitations of the above projects:

## **1. GRADER REPORT**

The MPAC members went to verify the existence and condition of the grader which was sent for repairs during December 2021 in Pinetown Durban for repairs. Councillors raised a concern regarding the time that has lapsed bearing in mind that the community was in great need of its services and enquired what actions were going to be taken by management.

The Management report revealed that the supplier required R400 000 for the fixing of breaks and the municipality disputed. The supplier downgraded R300 000 and again then they down graded to R234 000 and finally reached an agreement of R200 000. It was going to take a month to fix the grader.

## **2. BIOFUEL PROJECT REPORT**

The MPAC members visited the biofuel project in Donnybrook on the 25<sup>th</sup> of October 2022 and found a building structure and that there was no machinery and equipment there. The committee managed to find that some of the machines were in Bulwer, TLB is at Impendle and whilst some of the machines were at South Cost Forest.

An enquiry was made as to whether a criminal case was opened regarding this matter. Management explained that the Bio fuel project was established in partnership with EDTEA and that some of the assets belonged to the Department of Economic Development, Tourism and Environmental Affairs and others to the Municipality, however the ones that were owned by the municipality were registered in the municipal asset register and were being monitored.

## **3. WOOD-CHIPPER**

The MPAC verified the wood chipper with a company in Bulwer and found that it is no longer in use but on the 30<sup>th</sup> of June in the books it was valued at R2.3 million. The Municipality is in the process of appointing a service provider who will move it from the farm to the shelter pending an offer from emerging businesses who will purchase the asset.

## **4. DISASTER CENTRE OFFICES IN BULWER**

The MPAC visited the disaster centre at Bulwer that is still under construction and appreciated that good work that had been done thus far. It was however raised that the service provider seems to be behind schedule. Management explained that due to bad weather the contract was extended.

## **5. UNDERBERG TOWN HALL**

The MPAC verified the Underberg town hall in October 2022 and a concern was raised that the hall was not built in town. Management explained that there was an issue with the land however it was constructed at Underberg location being with a reduced size and the savings were used to construct a crèche.

**Furthermore, 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 2021/22 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 Performance Committee presented its report on the 2021/22 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 25 January 2023. 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 15<sup>th</sup> of March 2023.

#### **1.2 Ward 5**

Community member raised a concern regarding how the service provider didn't compact Mathubeni access road and that it lacks storm water pipes/ drainages and that the road is of no use to the community.

The community member also raised a concern regarding the electrification project, highlighting that electricity metres have been installed however there is a cable that still needs to be purchased hence they are still without electricity.

#### **1.3 Ward 1**

Community member raised a concern regarding there being no storm water pipes throughout the ward and that their roads are being damaged by heavy rains.

#### **1.4 Ward 2**

Community member raised a concern about high rate of vandalism of Community assets and that the municipality should come up with a strategy to curb such action.

### **1.5 Ward 4**

The community member raised a concern regarding the three (3) temporary housing shelter that have been provided he explained that an access road is required in order to access those houses.

He also raised a concern regarding the service provider who is constructing Sdangeni bridge and how he hasn't paid the local labour.

### **1. 6 Ward 7**

Community member sought clarity on whether the municipality verifies the project before making payments to service providers.

## **AG'S AUDIT OUTCOMES**

On the Annual Financial Statements:

Dr Nkosazana Dlamini Zuma Local Municipality has not regressed as it has maintained the unqualified audit outcome for the 2021/22 financial year.

Comments from Cogta

- The municipality didn't comment on the performance of its entity.
- Service backlog at schools and clinics
- Service backlogs experienced by community where another sphere of government is responsible service provision.
- Declaration of returns under MFMA Section 71 not made

Community surveys on service delivery backlogs are not conducted due to budget constraints and shortage personnel.

## **TABLE OF CONTENT**

Alignment of table to content, and to include a table of glossary for all abbreviations which was corrected in the final version of the 2021/22 annual report.

### **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 2021/22 ANNUAL REPORT**

The Municipality received a checklist form the provincial Cogta in line with the Annual Report which the municipality fully complied except for the above mentioned comments appendixes.

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

The 2021/2022 Auditor General's report has been attached as an annexure to this report. The 2021/22 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 25 January 2023. The Municipality have received an unqualified audit opinion on performance information and financial matters.

Auditor Generals comments on the Annual reports:

- Ward based plans were not signed,
- Spelling error of COVID 19
- Remove ##### signs on the PPE reconciliation
- Remove blank page

The Strategic Support Services Unit had then submitted a corrected version of the 2021/22 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.

Therefor the MPAC hereby recommends to Council to:

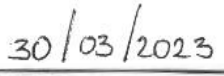
- (a) That after it has fully scrutinized and considered the Annual Report of Dr Nkosazana Dlamini Zuma Local Municipality for the 2021/22 Financial Year that the Council approves the Annual Report of 2021/22 Financial Year without reservations.
- (b) That the Oversight Report on the 2021/22 Annual Report 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**

  
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**CLLR MW MTOLO**

  
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**DATE**