

OVERSIGHT REPORT ON THE 2022/23 ANNUAL REPORT FOR DR NKOSAZANA DLAMINI ZUMA LOCAL MUNICIPALITY: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

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1st level: Council

PURPOSE

The purpose of this report is to provide comment to the Council on the Annual Report for the 2022/2023 financial year referred to the Municipal Public Accounts Committee by the Council with a resolution number 2024/01/198 dated 25 January 2024 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 2022/2023. 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 2022/23 was prepared by management and tabled in the Council meeting dated 25 January 2024.

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 2022/23 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 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 THE TERM OF OFFICE
2 December 2022
19 June 2023
23 June 2023
25 June 2023

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 2022/2023 financial year.

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 2024. The annual review as also covers all compliance matters relating to Risk Management.

REVIEW OF THE ANNUAL REPORT

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

CHAPTER 6: AUDITOR GENERAL'S FINDINGS

The 2022/2023 Auditor General's report has been attached as an annexure to this report. The 2022/23 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 2024.

MPAC ALSO OBTAINED VIEWS OF THE FOLLOWING STAKEHOLDERS IN ORDER TO FACILITATE THE CONSIDERATION OF THE ANNUAL REPORT:

AUDITOR GENERAL

The AGSA conducted a presentation on the 2022/23 financial year audit opinion including the overall control of the municipality to the municipal Council on 25 January 2024.

INTERNAL AUDIT

Internal Audit conducted an independent review on the draft Annual Report and tabled their report to the Audit and Performance Audit Committee on the meeting held 18 March 2024.

AUDIT AND PERFORMANCE AUDIT COMMITTEE

MPAC chairperson attended the Audit and Performance Audit Committee meeting where the Annual report was noted by the committee.

PROVINCIAL COGTA'S CHECKLIST ON THE 2022/23 ANNUAL REPORT

The Municipality received a checklist from the Provincial Cogta to assess the accuracy and completeness of the Annual Report, the municipality fully complied with all requirements. After assessing the annual report the department found the following appendices as per requirements of NT Circular 63, were not included in the Annual report, kindly refer to the list below:

- ◆ The Annual Report contain the audit report on the AFS
- ◆ The Annual Report contain the Annual Performance Report in terms of section 46 of the MSA
- ◆ The Annual Report contain the Auditor-General report on the municipalities Performance Report
- ◆ The Annual Report contain as assessment of the performance against measurable performance objectives for revenue collection by the Accounting Officer
- ◆ The Annual Report contain response to the Audit Report on the AFS
- ◆ The Annual Report contains the recommendations of the Audit and Performance Audit Committee
- ◆ All the appendices of National Treasury Circular 68 to be disclosed thoroughly and attached.

AUDITOR GENERAL COMMENTS

The draft annual report was submitted to the external auditors for review and comments, the following comments were submitted by the external auditors:

- ◆ Audited annual financial statements not included in the annual report.
- ◆ For the 2022/2023 financial year, irregular expenditure incurred is R 580 000.00
- ◆ Fruitless and wasteful Expenditure incurred is R1 297.50 to be disclosed in the Annual Financial statements.
- ◆ Please remove blank pages and confirm page numbering
- ◆ Financial viability assessment not consistent with amounts disclosed in the audited/Final financial statements
- ◆ reference to the audit report not included in the table of contents

The public hearing was held as follows:

DATE : 15 March 2024
TIME : 08h00
VENUE : Karridene Hotel

The Strategic Support Manager presented the municipality's 2022/2023 Annual Report and the Chief Financial Officer presented the Audited Annual Financial Statements as at 30 June 2023.

The following comments and questions were raised by the public on the 15th of March 2024.

1.1 Ward 9

A community member raised a concern regarding the delays in service delivery caused by service providers inability to complete tender document to the required standard, resulting in the municipality having to re-advertise projects which effects the completion of projects.

1.2 Ward 13

Community member raised a concern regarding the idling of municipal plant that is used for the maintenance of gravel roads. He further explained that after the plant has completed the maintenance of the road, it is left unattended for days leaving it venerable to misuse by the community.

1.3 Ward 1

The ward councillor raised a concern regarding the challenges reported in the quarterly reports concerning service delivery. He further requested that management should provide feedback on queries or challenges reported.

The ward councillor commended the completion of Kwavimbela access road; however, he questioned if the road is really a kilometre as claimed because according to his assessment its less than a kilometre.

1.4 Ward 14

The ward councillor commended the municipality for all the access roads that have been constructed and maintained, he further suggested that the municipality should look into ensuring that storm water pipes are installed to prevent damages due to heavy rains.

The ward councillor further applauded the fire-fighting training that is provided for the youth of the NDZ; however, he raised a concern on placement of these individuals hence they are in possession of this critical skill.

The municipality was advised on reviving the Bongumusa Mthembu marathon from Mpendle to Bulwer, as part of the cultural events.

AMMENDMENT OF THE ANNUAL REPORT

The Strategic Support Services Unit had then submitted the final corrected version of the 2022/23 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), the department of Corporate Governance and Traditional Affairs (COGTA) as well as comments from the members of the public.

SITE VERIFICATION

Furthermore, on the 25th March 2024, the Internal Audit Manager together with officials from the PWBS department accompanied the MPAC chairperson to verify the roads that had been reported as completed on the annual report.

Namely:

- 2 Bulwer Asphalt Surfacing Road Phase 8
- 3 Zakhisweni Access Road
- 4 Bhidla Access Road

The roads mentioned above were complete as stated in the annual report.

Therefore, 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 2022/23 Financial Year that the Council approves the Annual Report of 2022/23 Financial Year without reservations.
- (b) That the Oversight Report on the 2022/23 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

26/03/2024
DATE