**OVERSIGHT REPORT ON THE 2018/19 ANNUAL REPORT FOR DR NKOSAZANA DLAMINI ZUMA LOCAL MUNICIPALITY: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

**AUTHOR:** Cllr MT Zikode (MTZ / ncv)

**FILE NUMBER:**

1ST Level : MPAC

2ND : EXCO- 24/03/2020

3RD : Council- 31/03/2020

**PURPOSE**

The purpose of this report is to provide comment to the Council on the Annual Report for the 2018/20189 ﬁnancial year referred to the Municipal Public Accounts Committee by the Council with a resolution number 09.03 dated 23 January 2020 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 2018/19. 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 2018/19 was prepared by management and tabled in the Council meeting dated 24 January 2019.

Arising therefrom, Council resolution 09.03 dated 23 January 2020. 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 23 January 2020 be tabled in the Council within 2 Months of the tabling of the Annual Report (i.e. 31 March 2020).

**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 initiates / 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 2018/19 ﬁnancial year as presented to MPAC by Management and incorporates the rationale for the recommendation of the MPAC.

The MPAC Processes and Facts:

The members of the MPAC as from August 2016 are:

|  |  |  |
| --- | --- | --- |
| **NAME OF COUNCILLOR** | **DESIGNATION** | **POLITICAL PARTY** |
| CLLR MT ZIKODE | CHAIRPERSON | ANC |
| CLLR Q DLAMINI | MEMBER | ANC |
| CLLR VAT MTHEMBU | MEMBER | ANC |
| CLLR NG DLAMINI | MEMBER | IFP |
| CLLR S MQWAMBI | MEMBER | ANC |

Members of the MPAC Membership as from 07 November 2019

|  |  |  |
| --- | --- | --- |
| **NAME OF COUNCILLOR** | **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 MNCWABE | MEMBER | ANC |

Meetings were conducted on the following dates through-out the financial year:

|  |  |
| --- | --- |
| **DATE OF THE MEETING** | **VENUE** |
| 06 JUNE 2018 | COUNCIL CHAMBER: CREIGHTON |
| 20 NOVEMBER 2018 | COUNCIL CHAMBER: CREIGHTON |
| 25 MARCH 2019 | COUNCIL CHAMBER: CREIGHTON |
| 13 MAY 2019 | COUNCIL CHAMBER: CREIGHTON |
| 26 MAY 2019 | COUNCIL CHAMBER: CREIGHTON |
| 26 JUNE 2019 | COUNCIL CHAMBER: CREIGHTON |

Sites Visits/ Inspections were held as follows during 2018/19 financial year

(copy of images of the sites visited are attached hereto as Annexure A).

|  |  |
| --- | --- |
| **DATE OF THE SITE VISIT** | **PROJECT VISITED** |
| 31 JULY 2018 | Esikhesheni Electrification project |
| 31 JULY 2018 | Sawoti Sportsfield |
| 31 JULY 2018 | Buyani Madlala Sportfield |
| 31 JULY 2018 | Glenmaize Electrification Project |
| 31 JULY 2018 | Esikhesheni Electrification project |

|  |  |
| --- | --- |
| **DATE OF THE SITE VISIT** | **PROJECT VISITED** |
| 01 AUGUST 2018 | Nyazi access road |
| 01 AUGUST 2018 | Gala community Hall |
| 01 AUGUST 2018 | Underberg Roads |

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 2018/19 ﬁnancial year audit opinion including the overall control of the municipality (a copy of the presentation made by the AGSA is attached hereto as Annexure B).

The Audit Committee presented its report on the 2018/19 draft Annual Report. (a copy of the Audit Committee Report is attached hereto as part of the minutes Annexure C.)

Internal Audit conducted an independent review on the draft Annual Report and tabled their report to the Committee (a copy of the presentation and the report is attached hereto as–Annexure D).

The report relates to a compliance review. The MPAC, following these inputs, reviewed each of the chapters of the Annual Report in further detail. The ﬁndings of this review were then used to prepare questions of clarity or concerns and statements of items to be corrected to be put to management. (Copies of the minutes are attached hereto –Annexure E: MPAC Minutes- 21 February 2020).

The MPAC could not hold public meetings to consult members of the public on the annual report that was published and placed at all municipal offices where either management and political leadership had to answer questions relating to the Annual Report or to provide needed clarity and explanations due to not receiving comments from members of the public. This report was also uploaded to the municipal website and the municipal facebook page on 06 February 2020 and members of the public were advised to comment accordingly. (The advertisement for the publication of the 2018/19 Annual report was placed on 05 February 2020 in the Natal Witness Newspaper. Refer to Annexure F for a copy of the advertisement.

**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, however, it should be noted that this was not done for 100% of the draft Annual Report. The committee considered the initial report that was submitted to the council, and noted by the council on the 23 January 2020. During the initial review of the report, it was clear that management has placed more emphasis on the importance and compliance to the requirements relating to the 2018/19 Annual Report, notable areas of improvement from the 2017/2018 to the 2018/19 Annual Report.

**AG’S AUDIT OUTCOMES**

 Dr Nkosazana Dlamini Zuma Local Municipality has not regressed as it has maintained the unqualiﬁed audit outcome for the 2018/19 ﬁnancial year. However, the instances of Fruitless and Wasteful Expenditure still need to be investigated, dating back to the pre-election municipalities.

**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**

The Chairperson raised a concern on Chapter 3: Service Delivery of the Annual Report that they need a progress report on the implementation plan of service delivery issues from the resolutions they took at the previous strategic planning.

In response to that query the Strategic Support Services Manager advised the meeting that progress on the resolutions of the Councillors Strategic Planning Session that was held on 24-25 May 2019 in Drankensberg will be presented to the ID/Budget Steering Committee meeting that will be held on 12-13 March 2020 in Durban.

The Chairperson raised a concern with regards to prioritization of maintenance roads that since the municipality has hired a panel of service provider to maintain access roads how was this going to benefit local community in terms of youth employment.

The Senior Manager: Public Works and Basic Services advised the meeting that the appointed service providers for the maintenance of access roads would hire local people to perform labour intensive work like grass-cutting, removal of vegetation, fixing of drainage system etc. on all the roads that they would be maintaining in all wards.

Another concern was raised on the issue of Electrification project for 2018/19 which seem to have been completed in the Annual performance report however a number of households on the ground were not completed for the year ended in 30 June 2018 (2017/18 financial year).

The Senior Manager: Public Works and Basic Services reported that the service provider that was appointed to electrify 55 households in 2017/18 could not complete his work due to financial incapacity and had to be terminated however the 2018/19 electrification projects were completed on time as it was indicated both in the annual report and annual performance report.

On Soft Service Delivery Projects on page 110 of the annual report, the Chairperson advised that the variance amount for the fire truck was too high and that the departments must check the market prices before finalizing their budgets in order to avoid these variances.

The Senior Manager: Community and Social Services Department informed the meeting that the budget variance was due to items that had to be manufactured specifically for this truck as it was a specialised truck.

He also enquired about the accuracy of figures on the lightning conductors supplied to only Ward 6&7.

The Senior Manager: Community and Social Services Department confirmed that 19 Lightning conductors were indeed procured and installed in ward 6&7 as indicated in the annual performance report.

The Municipal Manager was also tasked to constantly monitor late submission of Performance reports by Internal Heads of Departments

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 COMMENTS ON THE 2018/19 ANNUAL REPORT**

Over and above the comments from MPAC the Provincial Cogta: Finance Directorate sent a correspondence dated 27 January 2020 with the following comments on the 2018/19 Annual report. All issues raised on this correspondence had been attended to and amendments have been made accordingly particularly on Chapter 5 of the Annual Report.

* *CoGTA has analysed your Annual Report and has found that the report is compliant as submitted but due to inadequate time to review an objective and fair assessment was not conducted. However, your attention is drawn to specific details as indicated below:-*
* *An assessment of the performance against measurable performance objectives for revenue collection by the accounting officer (s121 (3)(f)*
* *The performance report that includes measures that were taken or are to be taken to improve performance (MSA s46(1)(a)*
* *In terms of section 123 and 124, the following disclosures were omitted:-*
* *Report on any criminal or disciplinary steps taken as a result of material losses and material irregular or fruitless and wasteful expenditure and unauthorised expenditure (s125(2)(d)(ii)*
* *Any material losses recovered or written off (s125 (2) (d)*
* *Report on particulars of non-compliance with the MFMA (s125 (2) (e)*
* *You are required to incorporate all outstanding information into your Oversight Report which is required in terms of section 129 of the MFMA together with a statement indicating whether the council –*
	+ *Has approved the annual report with or without reservations;*
	+ *Has rejected the annual report; or*
	+ *Has referred the annual report back for revision of those components that can be revised*
* *In complying with section 129(2)(b) and section 127(5)(b) of the MFMA, municipalities are required to submit their Annual and Oversight Reports to CoGTA for the attention of Mrs Joey Krishnan, 6th floor, Room 5, Southern Life Plaza,*

**CHAPTER 6: AUDITOR GENERAL’S FINDINGS**

Annexure B- of this report entails the AG’s Report with progress on the implementation of the Action Plan to address 2018/18 audit findings.

On Volume II: Annual Performance report on page 19, Chairperson also raised a concern of poor attendance by government officials on public participation programmes such as IDP road-shows. He was also concerned about poor performance by the Development and Town Planning Department which he said the Municipal Manager has to closely monitor as only one target for the financial year 2018/19 was achieved.

The Strategic Support Services Manager reported that the new District Development Model was going to assist in terms of improvement towards an integrated planning approach as such would minimise poor attendance by government departments on public participation programmes.

The Chairperson requested more training programmes for the Committee as there were new members of the Committee. This would empower them to play a meaningful oversight role as per the terms of reference of the Committee.

Councillor L Mncwabe raised a concern on the gaps identified in the Ward Based Plans and therefore requested that Councillors should be consulted when compiling Ward Based Plans for accuracy of demographics within the Ward Based Plans. The Committee emphasized on the importance of compiling a schedule for sites visits whereby all MPAC Members together with Project Managers would attend and these inspections should commence in March 2020. The Strategic Support Services Manager reported that Ward Based Plans were going to be reviewed in preparation for the upcoming financial year and all gaps identified would be rectified in the draft WBP for 2020/21 financial year. She further indicated that the information that the Public Participation was using was sourced from CDWS, Ward Support Clerks who works closely with Ward Councillors.

With Councillors L. Mncwabe and N.G Dlamini proposing and seconding respectively,it was unanimously;

**RESOLVED**

(a) That MPAC having fully scrutinized and considered the Annual Report of Dr Nkosazana Dlamini Zuma Local Municipality for the 2018/19Financial Year, approves the Annual Report of 2018/19 Financial Year without reservations. (copy of minutes of the meeting held on 21 February 2020 is attached)

(b) That the Oversight Report on the 2018/19 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.

**CONFIRMATION:**

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**CLLR. MT ZIKODE DATE**

**CHAIRPERSON: MPAC**