

## UBUHLEBEZWE

### MUNICIPALITY 2015/2016

#### OVERSIGHT REPORT

|               |               |   |
|---------------|---------------|---|
| <b>Staff:</b> | GM Sineke     | Municipal Manager                                 |
|               | NNF Buthelezi | Director: Social Development                      |
|               | UP Mahlasela  | Chief Financial Officer                           |
|               | ME Mkhize     | Director: Corporate Services                      |
|               | SM Buthelezi  | Director: Infrastructure Planning and Development |
|               | NF Ndlovu     | Manager: IDP/PMS                                  |
|               | TN Mthlane    | Manager: Internal Audit                           |

|                      |                  |                  |
|----------------------|------------------|------------------|
| <b>Councillors :</b> | Cllr HC Jili     | MPAC Chairperson |
|                      | Cllr WMQ Dlamini | Member           |
|                      | Cllr ZC Khumalo  | Member           |
|                      | Cllr NM Mdunge   | Member           |
|                      | Cllr GJ Ngcongco | Member           |

#### **Audit Committee and Performance Audit Committee Members:**

|              |             |
|--------------|-------------|
| Dr PS Zulu   | Chairperson |
| Bowyer       | Member      |
| NR Shabalala | Member      |

|                 |                          |
|-----------------|--------------------------|
| <b>Others :</b> | Stakeholders             |
|                 | Auditor-General's Office |
|                 | Provincial COGTA         |
|                 | Provincial Treasury      |

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## APPENDIX A

### 1. TERMS OF REFERENCE: OVERSIGHT COMMITTEE

All political parties are represented on the MPAC / Oversight Committee, and the Performance and Audit Committees members act as advisory members of the committee.

That the following five (5) non-executive members Councillors were elected to serve on the MPAC / Municipal Oversight Committee to develop a program to address the queries raised in the Auditor-General's Report:

1. ANC: HC Jili  
ZC Khumalo  
NM Mdunge
2. NFP: WMQ Dlamini
3. IFP: GJ Ngcongco

3. That the elected MPAC / Municipal Oversight Committee will submit a report addressing the queries raised by the Auditor General to Council for deliberations.
4. That the Committee will table the Oversight Report to Council as per the following programme:

| STRUCTURE  | DATE               | ACTIVITY                                   |
|--|--------------------|--|
| Notice to local papers inviting the public to comment on the annual report | 16-18 January 2017 | Advert on local and provincial news paper  |
| Council  | 24 January 2017    | Tabling of the annual report               |
| Auditor-General  | 25 January 2017    | Submission of the annual report            |
| COGTA and Treasury   | 25 January 2017    | Submission of the annual report            |
| Oversight / MPAC meeting   | 07 February 2017   | Formulation of draft oversight report      |
| Ward Committee   | 08 March 2017      | Public participation                       |
| Council-Oversight Report   | 30 March 2017      | Tabling of the oversight report to Council |

The functions of the MPAC / Oversight Committee are to:

- Undertake a review and analysis of the Annual Report going forward
- Invite, receive and consider inputs from Councilors and Portfolio Committees, on the Annual Report.
- Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report
- Receive and consider Councils' Audit Committee views and comments on the annual financial statements and the performance report.
- Prepare the Oversight Report taking into consideration, the views and inputs of the public, representative(s) of the Auditor General, Organs of State, Councils' audit committee and Councilors.

The Oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its Municipality and Municipal entities and to adopt an oversight report containing the council's comments on annual report, which must include a statement whether the council-

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

The MPAC / Oversight Committee may use the attached checklist to organize its Report and to manage request for additional information. The questions suggested may be used by all councilors to gain clarification on contents of reports and also to verify compliance with the MFMA and MSA. Responses to many of these questions should be provided by the Accounting Officer of the Municipality.

## APPENDIX B

### 2. PROCESS PLAN FOR THE ADOPTION OF THE OVERSIGHT REPORT AND THE ANNUAL REPORT

| ACTIVITY  | RESPONSIBILITY                     |
|---|------------------------------------|
| Council Establishes the MPAC / Oversight Committee  | Council                            |
| Advertise the availability of the Annual Report for Comments  | Accounting Officer                 |
| Submit a copy to Provincial Department responsible for Local Government and the Office of the Auditor General | Accounting Officer/IDP/PMS Manager |
| 1 <sup>st</sup> Meeting of the MPAC / Oversight Committee   | Members                            |
| Last date for the submission of Comments and Public Participation Process                                     | Accounting Officer/IDP/PM Manager  |
| Submission of Recommendations by the Accounting Officer   | Accounting Officer                 |
| Meeting of the MPAC / Oversight Committee: Discussion of the Draft Oversight Report                           | Members                            |
| Recommendation for the Adoption of the MPAC / Oversight Committee Report by Council                           | EXCO                               |
| Adoption of the MPAC / Oversight Committee Report   | Council                            |
| Make Oversight Report Public  | Accounting Officer/IDP/PM Manager  |
| Submit minutes of the meeting to the Auditor-General  | Accounting Officer/IDP/PM Manager  |
| Submit Oversight Report to Provincial and National Treasury   | Accounting Officer/IDP/PM Manager  |
| Submit Oversight Report to Provincial Department responsible for Local Government                             | Accounting Officer/IDP/PM Manager  |

## 3. ANNUAL REPORT CHECKLIST

| 1. Annual Financial Statements – Section 121 (3) & (4) MFMA  | For Consideration   | Response(s)  |
|--|---|--|
| 121 (3)(a)<br>The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General | Where the municipality has sole or effective control of a municipal entity, consolidated financial Statements are required. The AFS are to be in the form as required by the applicable Accounting standards. MFMA Circular 18 with annexure, 23 June 2005, provides guidelines on the new accounting standards for Municipalities. | Audited Annual Financial Statements have been included in the Annual Report as Volume II                                       |
| 121 (3)(a)   | The above applies to the AFS of municipal entities.   | N/A  |
| 121 (3)(b)<br>The Auditor-General's reports on the financial statements of the municipality.   |   | The audit report has been included in Chapter 6 of the Annual Report   |
| 121 (4)(b)   | The above applies to the AFS of municipal entities.   | N/A  |
| 121 (3)(h)<br>Any explanations that may be necessary to clarify issues in connection with the financial statements   | The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS.  | The Annual Financial Statements in Volume II have included notes   |
| 121 (4)  | The above applies also to the AFS of municipal entities.  | N/A  |
| 121 (3)(e)<br>An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities                                    |   | An Accounting Officer has made an assessment on arrears on municipal taxes and service charges in Chapter 5                    |
| 121 (4)(c)   | Above applies to AFS of municipal entities.   | N/A  |
| 121 (3)(g)<br>Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports  | The conclusions of the annual audit may be either –<br>- An unqualified audit opinion with or without management issues, which means that the financial statements are acceptable;<br>- A qualified audit opinion setting out reasons for qualification, which  | The municipality has obtained a Clean Audit, as a result, no material findings were raised. See Chapter 6 of the annual Report |

| 1. Annual Financial Statements – Section 121 (3) & (4) MFMA  | For Consideration   | Response(s)  |
|--|---|--|
|  | <p>means that certain issues need to be addressed before an unqualified opinion can be achieved; or</p> <p>- The auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed.</p> <p>The objective of the municipality should be to achieve an unqualified audit opinion.</p> |  |
| 121 (4)(e)   | Above applies to AFS of municipal entities.   | N/A  |
| 121 (3)(i)&(k) Any information as determined by the municipality, entity or its parent municipality  | Review all other information contained in the Annual Report.  | The information contained in the Annual Report is relevant and has been reviewed                     |
| 121 (4)(h)   | Applies to municipal entities.  | N/A  |
| <p>121 (4)(d)</p> <p>An assessment by the municipal entity's Accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery</p> | Agreements between the municipality and its entities for service delivery are to include measurable performance objectives. This will include measures of services delivered to the community, financial targets,   | N/A  |
| <p>121 (3)(j) and 121 (4)(g)</p> <p>Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities</p>                                       | Conclusions on these recommendations and the actions required should be incorporated in the oversight report.   | The audit committee recommendations and report has been attached as an Appendix in the Annual Report |
| <b>Disclosures – Allocations received and made – S 123 &amp; 125 MFMA</b>  |   |  |
| <p>123 (1)(a)</p> <p>Allocations received by the municipality from an organ or state, a municipal entity or another municipality.</p>  | <p>The annual financial statements must disclose:</p> <p>2. Details of allocations received from another organ of state</p>   | All disclosures has been included in the AFS in Volume II of the Annual Report                       |
| <b>Annual Financial Statements - Section 121 (3) &amp; (4) MFMA</b>  |   |  |
| <p>125</p> <p>Other compulsory disclosures</p>   | Municipalities and entities are reminded of the requirement to  | All disclosures has been included in the AFS in  |

| 1. Annual Financial Statements – Section 121 (3) & (4) MFMA  | For Consideration   | Response(s)   |
|--|---|---|
| <p>and information in relation to outstanding debtors and creditors of the municipality and entities</p> | <p>include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities. Other disclosures required; Contributions to organised local labour and amount outstanding at year end</p> <p>Total amounts paid in audit fees, taxes, levies, duties and pensions and medical aid contributions and whether there where amounts outstanding at year end</p> <p>Name of bank where accounts held and year end balances<br/>Summary of investments held<br/>Contingent Liabilities<br/>Material irregular, fruitless or Wasteful expenditure<br/>Details of unauthorised Expenditure<br/>Particulars of non compliance with the MFMA<br/>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p> | <p>Volume II of the Annual Report</p>   |
| <p>123 (1)© – (f)<br/>Information in relation to the use of allocations received</p>                     | <p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <p>1. The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote.<br/>(For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects.</p>  | <p>The AFS includes the use of all allocations – Volume II of the Annual Report</p> |



| 1. Annual Financial Statements – Section 121 (3) & (4) MFMA | For Consideration  | Response(s)  |
|---|--|--|
|   | 2. Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)© of the Constitution and allocations  |  |
| Performance Management System                               | <p>performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics etc?</p> <p>To what extent has performance achieved targets set by council? Is the council satisfied with the performance levels achieved? Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?</p> <p>To what extent have actions planned for the previous year been carried over to the financial year reported upon? Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?</p> | Annual Performance Report included, where targets were not met , corrective measures have been recorded (Chapter 3 of the annual report) |
| Audit reports on performance                                | Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and   | No findings have been raised on performance  |

| 1. Annual Financial Statements – Section 121 (3) & (4) MFMA  | For Consideration   | Response(s)  |
|--|---|--|
| Performance of municipal entities and municipal service providers  | <p>annually.</p> <p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities.</p> <p>The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered.</p> <p>Is the council satisfied with the evaluation and conclusions of the municipality?</p> <p>What other actions are considered necessary to be taken by the accounting officers?</p>  | Performance of the external service providers have been included in Chapter 3 of the annual report |
| For municipal entities – an assessment of the entity’s performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality | <p>This is the separate report of the municipal entity and should contain details of service delivery agreements with the municipality and the performance measures therein.</p> <p>Council should consider similar issues to that outlined above for municipal performance to determine a view on the performance of municipal entities.</p> <p>To what extent were the objectives and performance measures of the entity aligned to the overall strategic objectives of the municipality and its IDP?</p> <p>Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality?</p> <p>What specific actions should be taken by the entity and the municipality to improve performance?</p> | N/A  |
| Relevant information on municipal entities   | <p>The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality.</p> <p>Information to be disclosed includes</p>   | N/A  |

| 1. Annual Financial Statements – Section 121 (3) & (4) MFMA   | For Consideration  | Response(s)  |
|---|--|--|
|   | names and types of entities, members of the board, addresses and contact details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.  |  |
| Service delivery performance on key services provided   | This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report or in statistical tables. | A summary of the service delivery performance has been included throughout the annual report |
| Information on long-term contracts  | Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.  | All long term contracts have been included   |
| compliance with statutory obligations   | Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.  | It is included in the annual report  |
| Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework | A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross  | A summary of a capital plan have been disclosed  |

| 1. Annual Financial Statements – Section 121 (3) & (4) MFMA | For Consideration   | Response(s)  |
|---|---|--|
|   | <p>reference to the performance reports in the annual report and also will be highlighted in the coming budgets.</p> <p>Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p>   |  |
| Supply Chain Management Regulations and Policy              | Certain disclosures on Supply Chain matters are required to be included in the Annual Report.   | The Supply Chain matters have been disclosed in the AFS                              |
| Timing of reports   |   | The Annual Report was tabled on the 24 <sup>th</sup> of January 2017                 |
| Payment of performance bonuses to municipal officials       | <p>Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report. Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.</p> | Payment of performance bonuses have been disclosed in chapter 4 of the annual report |

#### **4. AUDITOR-GENERAL'S REPORT 2015/2016**

*PAGE 152 OF THE ANNUAL REPORT*

#### **5. ANNUAL AUDIT AND PERFORMANCE AUDIT COMMITTEE REPORT 2015/2016**

*PAGE 184 OF THE ANNUAL REPORT*

#### **6. ACTION PLAN TO ADDRESS ISSUES RAISED BY THE AUDITOR – GENERAL IN THE AUDIT REPORT FOR THE 2015/2016 FINANCIAL YEAR**

*IT MUST BE NOTED THAT THE MUNICIPALITY OBTAINED A CLEAN AUDIT OPINION, HOWEVER, THERE ARE ISSUES THAT REQUIRES ATTENTION; HENCE AN ACTION PLAN HAS BEEN DEVELOPED ATTACHED ON PAGE 155 OF THE ANNUAL REPORT. AN ONGOING MONITORING OF PERFORMANCE INDICATORS SHALL BE PERFORMED.*

#### **7. COMMENTS BY THE PUBLIC**

As per section 127 (5) (i) & (ii) of the Municipal Finance Management Act, No.56 of 2003, a notice was published on the newspapers (Local and Provincial Newspapers) dated the 16<sup>th</sup> - 18<sup>th</sup> January 2017, advising the public that the Annual Report was available for their viewing and comments, we are happy to inform the Council that there were no comments received, even after constant reminders in the corridors and the streets of Ubuhlebezwe jurisdiction.

#### **8. COMMENTS RECEIVED FROM COGTA**

No comments received from the Department of Cooperative Governance and Traditional Affairs.

#### **9. COMMENTS BY THE MPAC / OVERSIGHT COMMITTEE**

The Committee showed appreciation of the work done by Management of Ubuhlebezwe Municipality.

#### **10. RECOMMENDATIONS BY THE MPAC / OVERSIGHT COMMITTEE**

- 10.1 That the report be noted.
- 10.2 That the report be adopted without any reservations.