



# 2022/23

## NDLAMBE MUNICIPALITY

# MPAC OVERSIGHT REPORT

**Councillor A Nyumka - Chairperson**

**Councillor M Mgweba**

**Councillor A Bukani**

**Councillor M Sweli**

**Councillor N Haynes**



THIS OVERSIGHT REPORT IS  
BASED ON THE ANNUAL REPORT  
OF 2022/23 FINANCIAL  
PERIOD AND IS DRAFTED AND  
SUBMITTED IN ACCORDANCE  
WITH THE MUNICIPAL FINANCE  
MANAGEMENT ACT (MFMA),

# OVERSIGHT REPORT 2022/2023

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# OVERSIGHT REPORT 2022/2023

## 1. Statement of purpose of the Oversight Report

The Annual Report is a key instrument of transparent governance and accountability. It is a post –financial year document which provides an overview of the process of financial and non-financial performance in respect of the previous financial period, in this case 2022/2023. The adoption of an Annual Report is the legislated requirement in terms of the Local Government: Municipal Financial Management Act 56 of 2003 (MFMA).

### 1.1 Purpose

The purpose of this report is to present to Council the Oversight report to be adopted and for the consideration of the recommendations made on the final Annual Report for 2022/2023 as required in terms of Section 129 of the MFMA, Act 56 of 2003.

It is important to have an understanding of the accountability framework for municipalities in order to correctly comprehend the role of the Oversight Report as distinct from that of the Annual Report and any other reports required from the municipality by the Constitution, Acts, regulations or Circulars.

The following table displays the nature of the culpability framework for local government:

	Responsible for	Oversight over	Accountable to
<b>Council</b>	Approving policy and budget	Mayor & Executive Committee	Community
<b>Mayor &amp; Executive Committee</b>	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
<b>Municipal Manager</b>	Outputs and implementation	Administration	Mayor & Executive Committee (Council)
<b>Chief Financial Officer and Senior Managers</b>	Outputs and implementation	Financial management and operational functions	Municipal Manager
<b>Internal Audit Unit</b>	Objective assurance	Internal Controls, Compliance and Risk Management	Audit and Performance Committee

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the Municipal Finance Management Act requires the council to consider the annual report of its municipality and to adopt an "Oversight Report" containing the council's comments on the annual report.

The Oversight Report is a distinct product from the Annual Report.

The Annual Report is submitted to the Council by the Accounting Officer, Adv. R Dumezweni and the Mayor, Cllr. K Ncamiso and is part of the process for discharging accountability by the executive and administration for their performance in achieving objectives and goals set by the municipality in the 2022/23 financial year. The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the municipal council to the community disclosing the level of success or otherwise, obtained with meeting the priority needs and stated desires of the community as contained in the Integrated Development Plan (IDP).

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## **2. The Municipal Public Accounts Committee**

The establishment of Council's Municipal Public Accounts Committee was in March 2022, in terms of Section 79 of the Municipal Structures Act, 1998. The Municipal Public Accounts Committee is comprised of non-executive Councillors represented by most political parties. The term of the committee is 5 years unless recalled, resigned or disbanded.

The Ndlambe Municipal Public Accounts Committee consists of the following Councillors:

Councillor A Nyumka (Chairperson)  
Councillor M Mgweba  
Councillor M Sweli  
Councillor A Bukani  
Councillor N Haynes

## **3. The Functions of the Municipal Public Accounts Committee:**

- a) Undertake a review and analysis of the Annual Report.
- b) Invite, receive and consider inputs from Councillors and officials on the Annual Report.
- c) Consider written comments received on the Annual Report from the public consultation process.
- d) Preparation of the draft Oversight Report, taking into consideration the views and inputs of the public, representative(s) of the Auditor General, organs of state, Council's Audit & Performance Committee, political Parties and Councillors.
- e) Receive and consider Council's Audit & Performance Committee views and comments on the annual financial statements and the performance report.
- f) Adhere to the Charter and the Terms of Reference

## **4. Summary of Representations received from the Community and Others**

Notice was issued in terms of Section 127 (5) (a) of the Municipal Finance Management Act 56 of 2003, and section 21A of the Municipal Systems Act 32 of 2000 that the Annual Report for 2022/2023 financial period has been prepared by Ndlambe Municipality and was tabled in the council meeting held on the 31 January 2024. It was then made available for public comments and inspection in all municipal administrative units around Ndlambe municipality. See ANNEXURE A

The Municipal Public Accounts Committee regrettably has learnt that no comments were received in respect of the Annual report from the public in spite of the efforts to make it public.

## **5. 2022/2023 Annual Report Consultation Process**

The following is our summary of our findings in terms of legislative processes followed in terms of the annual report process:

Prescribed Dates	Actions	MFMA (MSA)	Responsibility of	Achieved Yes/No
29 August	Submit municipality's AFS to Auditor-General	S126(1)(a)	Municipal Manager	Yes
On receipt of audit report	The Municipality must address any issues raised by the Auditor-General and prepare action plans to address issues and include these in annual report. Provide copy of report to Audit Committee.	S131(1)	Municipal Manager. Mayor must ensure compliance by municipality	Yes
31 January	Annual Reports of municipality and entities tabled in Council	S127(2)	Mayor	Yes

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Immediately after annual report is tabled	Annual report made public and local community invited to submit representations	S127(5)(a) (MSA) - S21A and B	Municipal Manager	Yes
Immediately after annual report is tabled	Annual report submitted to Auditor-General, relevant provincial treasury and provincial department responsible for local government in the province.	S127(5)(b)	Municipal Manager	Yes
When meetings held to discuss the annual report	Attend meetings to respond to questions concerning the report	S129(2)(a)	Accounting Officer of municipality and entity	Yes
Following meetings to discuss the annual report	Submit copies of minutes of the meetings to the Auditor-General, provincial treasury and provincial department responsible for local government	S129(2)(b)	Accounting Officer of municipality and entity	Yes
Within two months of report being tabled (31 March)	Council to have considered the annual report and adopted an oversight report	S129(1)	Council	Not yet applicable
Within seven days of adoption of oversight report	Make public the oversight report	S129(3) S21A-MSA	Accounting Officer	Not yet applicable
Within seven days of adoption of oversight report	Submit to the provincial legislature, the annual report of municipality and entities and the oversight reports on those annual reports.	S132(1) & (2)	Accounting Officer	Not yet applicable
<p><b>Notes:</b></p> <ul style="list-style-type: none"> <li>MFMA section 133 provides for consequences of non-compliance with provisions relating to the submission of AFS and tabling of annual reports.</li> </ul> <p>All dates shown are the latest permissible in terms of the applicable legislation, earlier compliance is preferable.</p>				

- a) The Annual Report was tabled at an open Council Meeting on 29 August 2023.
- b) The communities were advised through print media and the Municipal website of the availability of the annual report and were invited to submit representations on the report.
- c) The Annual Report was made available at all municipal libraries, some community halls and Mayor's office. The Annual Report was also submitted to the Auditor General, Provincial Treasury and the Department of Cooperative Governance and Traditional Affairs.

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## 6. Committee observations and recommendations

### 6.1 Committee findings on the Annual Report

The committee scrutinised the annual report and the following were the main findings. The findings were premised on the requirements of MFMA Circular 63. For detailed findings refer to Minutes of the committee meeting held on the 12 and 25 March 2024 (see Annexure D).

The main findings were:

Finding	Chapter	Comment/s
1	1 – Mayor’s foreword	<b>Methods used / implemented to improve public participation and accountability.</b> There is no mention of any public participation methods or strategy.
2		<ul style="list-style-type: none"> <li>• Water was a huge issue in 2022/23 and should be mentioned here and the periods that there was no water and bringing in the RO Plant as the corrective measure.</li> <li>• The committee noticed that water lose have increased.</li> </ul>
3	1– Municipal Managers foreword	The entire Municipal Manager’s Foreword is not included as per Circular 63, paragraph 1.2. we note that the instead of the municipal overview as per paragraph 1.3 is written as municipal manager overview. This should be corrected.
	Chapter 1	The committee noted that the Financial Sustainability of the municipality paragraph page 27-28 of the report was not populated.
4	2 – Governance, Component B	<b>Intergovernmental Relations</b> IGR MEETINGS NOT SITTING/ the committee noted that the IGR Meetings are sitting at National and Provincial level, however there is no indication of IGR meetings at the local level. This should be addressed.
5	2 – Governance, Component C	<b>Public Accountability and Participation</b> To prove public accountability and participation the committee recommend that information relating to the sitting of the meetings be included in the report.
	2 – Governance, Component D	<p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>- The top 5 risks to the municipality should be identified and the Risk Register can be included here.</li> </ul> <p><b>Anti-corruption and fraud</b></p> <ul style="list-style-type: none"> <li>- There is no information included relating to anti-corruption and fraud.</li> </ul> <p><b>Supply Chain Management</b></p> <ul style="list-style-type: none"> <li>- The committee noticed that the Supply Chain Management is included in chapter 1 instead of chapter 2.</li> </ul> <p><b>By-laws</b></p> <ul style="list-style-type: none"> <li>- A list of By-laws should be included and highlight those which need reviewing.</li> </ul> <p><b>Websites</b></p> <ul style="list-style-type: none"> <li>- The committee noted that the website updated.</li> </ul> <p><b>Public Satisfaction on Municipal Services</b></p> <ul style="list-style-type: none"> <li>- The report should have summary of Public Satisfaction Report conducted and the Customer Care Officer’s report on Customer Services &amp; Complaints.</li> </ul>
6	Chapter 3 – Service Delivery Performance	The committee noted content improvement in this chapter. Refer “Municipality is located within the Sarah Baartman District Municipality and is home to some 80 000 people” in page 43 and census statistics 63 180 in page 10. Which statistics is correct?

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7	Chapter 4 Organisational Development Performance (Performance Report Part II)	<ul style="list-style-type: none"> <li>The organogram on page 107 under component A of chapter 4 is not clear and needs be fixed.</li> <li>Does 463 Ndlambe employees include the section 57 Managers?</li> </ul>
8	Chapter 5 Finance Performance	<ul style="list-style-type: none"> <li>Financial performance not included as well components A to D in terms of MFMA circular # 63.</li> <li>The report has chapter 5 as organisational score card which is not inline with the circular 63.</li> </ul>
9	Chapter 6 Auditor General Audit findings	The chapter is missing which provides details on issues raised during the prior year and remedial actions taken to address them.
10	Appendixes A to T	<ul style="list-style-type: none"> <li>Appendixes F, N, O and R are missing on the report.</li> <li>Appendix H does not cover what is required on the circular.</li> <li>Appendix M (missing headings in the table)</li> </ul>

### 6.2 General observations of the Committee

Below are the committee reservations based on its general observations gathered in its quarterly meetings in the course of the financial year. The observations below will be put on a tracking tool and will be followed up frequently. This will ensure that our observations are actioned, where practical, by administration.

OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT REMEDIAL ACTIONS
Unqualified Audit Opinion	The committee congratulate the management for attaining consecutive unqualified audit opinion.	
Fragmented Supply Chain function.	<ul style="list-style-type: none"> <li>Centralisation of SCM must be expedited.</li> <li>Improvement of SCM Internal controls</li> <li>Ensure timely appointment of SCM officials.</li> <li>That the municipality reduce the number of deviations.</li> <li>Implementation and monitoring of procurement plans.</li> <li>Appointment of 3-year tender for security, legal services and fuel management.</li> </ul>	<ul style="list-style-type: none"> <li>The process has started with creation of procurement commodities and loading bidders as service providers. Staff and authorisers(managers) have been trained at the departmental level on how to do requests and authorise online. Challenges have been noted, some service providers have registered for goods or services they have never supplied consequently resulting in cancellations and reissuing of quotation requests.</li> <li>Centralisation requires redefining the staff roles, such action leads to a review of internal controls to enable segregation of duties redefining access to the financial system.</li> <li>Finance vacancies had been filled, except the Acquisition officer position which was created by an upward movement of the incumbent. The position has been advertised and closed, awaiting shortlisting scheduled for early April 2024</li> <li>Efforts are made to reclassify procurement, for instance, refunds not to be treated as deviation items and be paid through standard expense, a service provider database has been compiled. The database will enable a shortened appointment process, service providers will be chosen from</li> </ul>

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OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT REMEDIAL ACTIONS
		<p>the database through rotation to quote for required services.</p> <ul style="list-style-type: none"> <li>• Supply Chain prepares quarterly reports on procurement plans.</li> <li>• Security tender is currently running due to expire in August 2024, CPS is currently working on the new SPEC.</li> <li>• Legal Services – A panel has been appointed covering 3 speciality fields.</li> <li>• Fuel Management, A survey has been to determine, a suitable system, we are about to draw a SPEC so that we move to the new system in July 2024</li> </ul>
<p>Water losses. (Ratepayers also observed this issue)</p>	<p>Intensify fixing of internal and external water leakages.</p>	<ul style="list-style-type: none"> <li>• Intensify fixing of internal and external water leakages. Water losses are caused by a number of reasons, the following are actions taken.               <ol style="list-style-type: none"> <li>1. Finance to identify properties with high consumption.</li> <li>2. Infrastructure, to do house visits to determine the cause, in most cases, these are leaks through the cistern inside the house. The constraint is available budget.</li> <li>3. Old meters are also a contributing factor, they do not register the water flowing through, these are also attended through the infra meter replacement program.</li> <li>4. Finance commissioned a desktop exercise to establish meters read in an area, the exercise showed that more than 90% of the meters were read, a low number of readings would imply that less consumed water is reported hence "High Losses".</li> </ol> </li> </ul>
<p>Use of Consultants</p>	<p>The use of consultants needs to be assessed by management as this is not sustainable. Workforce must be upskilled to eliminate heavy reliance on consultants.</p>	<ul style="list-style-type: none"> <li>• The municipality has a needs assessment form to be completed before using a consultant, this is a mandatory form that AG has asked for during audits. Going forward this should be part of SPEC documents. Use of consultants to be considered in the following context without perpetuating the current practice.               <ol style="list-style-type: none"> <li>1. Consultants are used where speciality skills are required, the contract type (FIDIC/GCC) entered into with a service provider, which are considered as to be protecting both parties' interests require a dedicated person to monitor the contract.</li> <li>2. Furthermore, contract supervision requires dedicated person to manage the contract.</li> <li>3. Issues of liability may require certain qualification of the person supervising the contract which municipal staff may not have.</li> <li>4. Contractual issues, all Thornhill projects are designed and supervised by Biggen by virtue of the contract arrangement.</li> </ol> </li> </ul>

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<b>2. Disclosures – Allocations received and made – Section 123 -125 MFMA</b>	
(a) 123 (1) (a) Allocations received and made to the municipality.	It should be noted that the municipality's functionality depends largely on grants; (LGSETA, WSIG, EPWP, FMG, MIG, INEG)
(b) Information in relation to the use of allocations received;	Unspent grant allocation of R16 676 702. It should be noted that the municipality spent 100% of its MIG.
(c) Information in relation to outstanding debtors and creditors of the municipality;	It should be noted that there are on-going engagements with national and provincial departments, but there is a national concern on growing culture of non-payment by our communities. We need effective systems of expenditure control and reasonable steps to prevent fruitless and wasteful expenditures;
<b>3. Disclosures in notes to AFS</b>	
(a) Information relating to benefits paid by municipality and entity to Councillors, Directors and officials	It should be noted that the information has been properly disclosed and explanations provided are acceptable and conditions of allocations have been met and they are fully detailed on the AFS;
<b>4. Municipal Performance</b>	
(a) Information on the annual performance reports of the municipality;	The performance report has been included in the annual report. Customer satisfaction surveys was undertaken to check whether the community is satisfied or not satisfied with the services provided.
(b) Audit reports on performance (section 45, MSA);	The municipality received an unqualified audit of opinion on audit of performance information.
<b>5. General Information</b>	
(a) Information Technology and systems purchases and the effectiveness of these systems in the delivery of services and ensuring compliance with statutory obligations	For period under review 2022/2023, Information and Communication Technology provided and supplied ICT equipment's e.g., computers, printers and 3Gs. The municipality appointed an IT Manager. The Unit provided IT systems, user maintenance and support.
<b>6. Other considerations recommended</b>	
(a) Timing of reports	The annual report was tabled in time on the 29 August 2023 and 31 January 2024
(b) Oversight committee or other mechanism	The Municipal Public Accounts Committee was delegated the responsibility of preparing the oversight report.
(c) Payment of performance bonuses to municipal officials (section 57 FMSA)	Two (2) Directorates qualified for performance bonus for the year under review.
(d) Public consultative meetings	Public comments were solicited as planned from the public.
(e) Annual Report distribution points documented, and feedback documented	The Annual Report was placed for inspection at municipal libraries, halls, a copy was posted on the municipality's website.

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## 8. Conclusion

1. While we have managed to reduce our prior irregular expenditure balance, it is however concerning that it is still reoccurring.
2. The MPAC commends Council, the Municipal Manager, Directors and all staff of Ndlambe municipality on the strides made towards good governance.
3. However, there is great room for improvement with regard to:
  - Improvement of key controls to ensure effective financial management, contract and procurement management, compliance management and;
  - That issues raised by both internal and external auditors are addressed effectively.
4. The MPAC has pleasure in presenting the Oversight Report to Council to consider the resolutions and then to be forwarded to the relevant Departments and Provincial Legislature.

## 9. Recommendations to Council

COMMITTEE RECOMMENDS, for Council to resolve on the following:

1. The Council having fully considered the Annual Report of the municipality and representations thereon, ADOPTS the oversight report.
2. That Council APPROVES the annual report with RESERVATIONS as included in the comments in the oversight report in paragraph 6 and Annexure D.
3. That the Annual Report for 2022/2023 be prepared in accordance with MFMA Circular #63 and recommendations made by the Municipal Public Accounts Committee.
4. That the Council consider the appointment of an MPAC Coordinator as a resource to the committee.

## 10. ANNEXURES ATTACHED

- i. ANNEXURE A: Advertisement for public comments
- ii. Annexure B: Council resolution on tabling of annual report
- iii. Annexure C: Proof of annual report submission to COGTA
- iv. Annexure D: MPAC minutes where the annual report was discussed (12 and 25 March 2024)
- v. Annexure E- MFMA Circular # 63



MPAC Chairperson

26/03/2024  
Date