

eDUMBE LOCAL MUNICIPALITY



OVERSIGHT REPORT

2022/2023 FINANCIAL YEAR

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1. INTRODUCTION

Section 129 of the Municipal Finance Management Act requires the Council of a Municipality to consider the Annual Report of the Municipality by no later than two months from the date on which the annual report was tabled in the Council, adopt an Oversight Report containing the Council's comment on the Annual Report.

2. ADOPTION OF THE 2022/2023 ANNUAL REPORT

The 2022/2023 Annual Report for eDumbe Municipality was presented by Auditor General to Council as per Section 127(4) of the MFMA on the 22 January 2024 in compliance with Section 127(2) of the MFMA which stipulates that:

The Mayor of the Municipality must, within seven months after the end of a financial year, table in the Municipal Council the Annual Report of the Municipality

When tabled, the 2022/2023 Annual Report was adopted without reservations

3. ESTABLISHMENT OF THE OVERSIGHT COMMITTEE / MPAC

The eDumbe Municipal Council established the Oversight Committee under Sections 33 and 79 of the Structures Act 1998, which consist of the following members:

- | | | |
|------------------------|---|-------------|
| (a) Cllr HH Vilakazi | : | Chairperson |
| (b) Cllr DM Mbokazi | : | Member |
| (c) Cllr ZG Masondo | : | Member |
| (d) Cllr MVS Mkhwanazi | : | Member |
| (e) Cllr TE Kunene | : | Member |

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4. DISCUSSION OF THE 2022/2023 ANNUAL REPORT

The Oversight Committee/MPAC made the detailed analysis review on the Annual Report. The following observations were noted:

4.1. ANNUAL FINANCIAL STATEMENTS

- The 2022/2023 Annual Financial Statements of the Municipality were prepared in compliance with applicable South African Standard of Generally Recognised Accounting Practice (SA Standard of GRAP), they were audited by Auditor General and were included in the Annual Report for 2022/2023.
- The Auditor General's Audit Report was included in the Annual Report
- The notes to the Financial Statements were included giving explanation to the financial issues of the Municipality
- The assessment on municipal taxes and service charges was conducted by the Accounting Officer before the AFS were compiled and were then included in the Annual report. Debtors' age analysis was captured on the Annual Financial Statements.
- Due to high indigent rate at eDumbe Municipal Area, Debtors book balance is above 200 million
- The following actions were taken to address the issue of increase in the Municipal Debtor book balance:
 - Replacement and installing of new smart meters which is on-going to reduce tempering
 - Revenue enhancement strategy was developed whereby consumers were given an amnesty period to pay 50% of their debt and 50% to be written off. Amnesty period was open from October 2023 - February 2024
 - An advert was issued where consumers were invited and given a chance to apply and prove to be indigent, after verification a benefit of first 50KWH will be granted. An advert was open till 29 February 2024
 - For indigent consumers, outstanding debts for rates and services will be written off once verified
 - Revenue and Electricity Units to implement monthly disconnections on long electricity outstanding debts consistently

4.2. 2022/2023 AUDIT OPINION

- The Municipality obtained an Unqualified audit opinion for 2022/2023 financial year with other Management issues to be addressed by Management.

- The following material issues were raised and repeated from the previous Audit:
 - (i) Receivables from exchange and non-exchange transactions were impaired by R189,05 million and R18.69 million respectively as the recoverability of these amounts were considered to be doubtful
 - (ii) Material electricity losses of R14.39 million was incurred which represents 40% of total electricity purchased. This is due to illegal electricity connection and ageing electricity infrastructure.
 - (iii) An achievement of 100% was reported against a target of 100% qualifying ESKOM indigent consumers provided with free basic electricity (first 50KWH) by 30 June 2023. Adequate supporting evidence was not provided for auditing, consequently the reported achievement might be more or less and was not reliable to determine if the target had been achieved.

4.2.1. Other Matters raised were as follows

- (iv) Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids as required by SCM Regulation.
- (v) Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation
- (vi) Reasonable steps were not taken to prevent Irregular expenditure amounting to R25,72 million, as disclosed in note 52 to the AFS. The majority of the irregular expenditure was caused by non-compliance with SCM Regulations and unjustifiable deviations
- (vii) Reasonable steps were not taken to prevent unauthorised expenditure amounting to R29.81 million, as disclosed in note 50 to the AFS. The majority of the unauthorized expenditure was caused by overspending on the approved budget
- (viii) Money owed by the Municipality was not always paid within 30 days as required by MFMA
- (ix) Appropriate HR systems and procedures to monitor, measure and evaluate performance to staff were not developed and adopted as required by MSA

- A detailed AG Action plan has been developed with appropriate dates of action.
- The recommendation of the Audit Committee in relation to the AFS and Audit Report were taken into consideration and included in the Annual Report for implementation.

4.3. ALLOCATIONS / GRANTS RECEIVED AND MADE

- The grants received from other organs of state were accurately disclosed on the Annual Financial Statements and Annual Report.
- All compulsory disclosures are contained in the notes to the Annual Financial Statement, i.e.

Unauthorised Expenditure

Irregular Expenditure (investigation will be conducted)

Fruitless and Wasteful Expenditure

Amounts paid in terms of Contingent liabilities, Taxes, Medical Aid, Pension Contributions and all other payments made

All bank accounts and investments were disclosed in the Annual Financial Statements as required.

- No funds (DORA) were delayed or withheld from EPWP, MIG and INEP grants. The Municipality managed to spend 100% of allocated funds within the stipulated timeframe.
- Disclosure on how allocations received were spent per vote was made in accordance with Section 123 of the Municipal Finance Management Act.

4.4. DISCLOSURES OF SALARIES IN THE AFS

- The salaries, allowances and benefits paid to Councillors, Acting Municipal Manager, Former CFO and all Senior Managers were disclosed in the notes to the Annual Financial Statement.
- The salaries, allowances and benefits paid to Councillors are within the upper limits of the Framework envisaged in Section 219 of the Constitution.
- The Councillors that were in areas for more than 90 days were disclosed in the AFS, i.e. K Ngema R17 132, SJ Mavuso R26 148 and VA Mthethwa R6 821

4.5. MUNICIPAL PERFORMANCE

- The Annual Performance Report was included in the Annual Report as per Section 46 of the Municipal Systems Act. The report does reflect the Municipal performance targets set in the budget, SDBIP and service agreements. It further gives comparisons on actual achievements versus targets as expressed in the SDBIP. The SDBIP is directly linked to the Performance Agreements of Section 54/56 and evaluated against targets and the budget
- The recommendations made by Internal Audit and Auditor General, based on one audit finding raised on performance management were included in the Audit Action Plan. Progress on the AG Action plan is monitored through the office of the Accounting Officer.
- The assessment of External Service Providers was made and included in the Annual Report.
- The capital projects implemented during the financial year were all disclosed with their status of completion as at 30 June 2023 as follows:

PROJECT NAME	STATUS OF COMPLETION
Regravelling of KwaNyosi Road (Ward 6)	Completed
Rehabilitation of CBD Road (Ward 9)	Completed
Regravelling of eMaphayipini Road (Ward 8)	Completed
Installation of Street Lights and Robots (Ward 9)	Completed
Construction of Mbedleni Bridge (Ward 7)	Completed
Construction of KwaNkomo Bridge (Ward 10)	Project was not completed within 2022/2023 FY then rolled over to 2023/2024 FY for completion
Construction of Ezixeni Sportfield (Ward 1)	Completed

Construction of Mashekelele Sportfield (Ward 7)	Completed
Construction of Bilanyoni SMME Centre (Ward 4)	Completed
Construction of Phase 5 Community Hall (Ward 2)	Project was not completed within 2022/2023 FY then rolled over to 2023/2024 FY for completion
Kwasonkela Electrification Phase 3 (Ward 1)	Project was not completed within 2022/2023 FY then rolled over to 2023/2024 FY for completion
KwaLembe Electrification Project (Ward 1)	Project was not completed within 2022/2023 FY then rolled over to 2023/2024 FY for completion
Khambule Electrification (Ward 7)	Project was not completed within 2022/2023 FY then rolled over to 2023/2024 FY for completion

4.6. ASSESSMENT ON PERFORMANCE EVALUATIONS

Formal assessments evaluations for 2022/2023 on Municipal Manager and Managers directly accountable to the Accounting Officer are not conducted as yet. As a result no performance bonuses were paid.

4.7. GENERAL INFORMATION

- All long-term contracts including levels of liability to the Municipality were included in the Annual Report
- Significant IT activities indicating the effectiveness of the IT projects and the quality of IT service were disclosed in the Annual Report, however the Municipality still have challenges on implementing the Disaster recovery Plan which is one of the top ten risks.

5. CONCLUSION

The Oversight Committee/MPAC noted the effort by the Municipality especially in delivering service to eDumbe Community during the financial year under review, irrespective of the financial constraints. The Committee further requests Management to improve more on internal controls and also to implement consequence management where required.

The Committee further recommends Council to support administration with revenue collection measures that are being implemented, this will assist in reducing the electricity losses currently sitting at 40% which is way above the norm.

6. RECOMMENDATIONS

The Oversight Committee / MPAC recommends that:

1. Council having fully considered the Annual Report, adopts/approves the Oversight report without reservations
2. That AG Action Plan be developed and adopted by Council for implementation to resolve all queries raised by AG.
3. That the Oversight report be submitted AG, Provincial and National Departments
4. The Accounting Officer makes public the Oversight report within seven days of the adoption, as per Section 129(3) of the MFMA.



Cllr. HH VILAKAZI

MPAC CHAIRPERSON