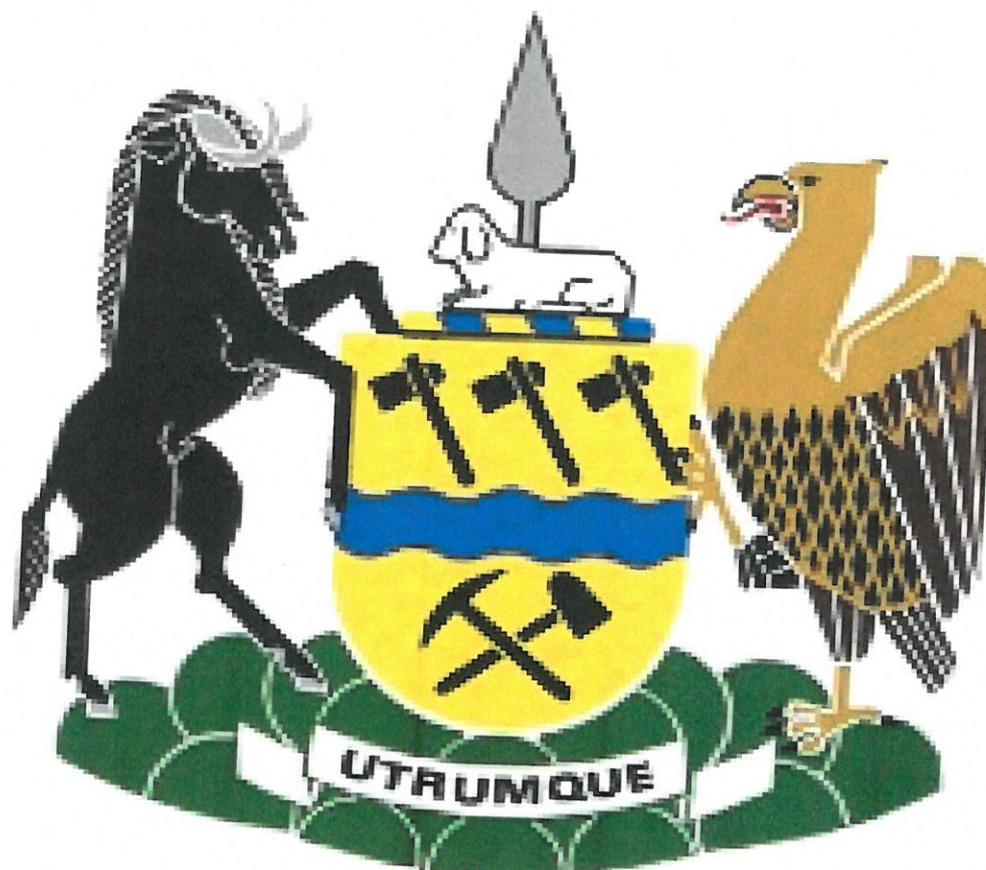


eDUMBE LOCAL MUNICIPALITY



OVERSIGHT REPORT 2016/2017

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1. INTRODUCTION

Section 129 of the Municipal Finance Management Act requires the Municipal Council to consider the Annual Report of the Municipality and adopt an Oversight Report containing the Council's comment on the Annual Report.

2. ADOPTION OF THE 2016/2017 ANNUAL REPORT

The 2016/2017 Annual Report for eDumbe Municipality was table to Council on the 23rd of January 2018 through resolution number EDCO 01/18/10.74 in compliance with the Section 127(2) of the Municipal Finance Management Act No 56 of 2003, which stipulates that:

The Mayor of a 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 2016/2017 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 RC Gevers : Member
- (c) Cllr MS Zulu : Member
- (d) Cllr BT Shabalala: Member
- (e) Cllr DP Masondo : Member

4. DISCUSSION OF THE 2016/2017 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 Annual Financial Statements of the Municipality were prepared in compliance with applicable accounting standards, and they were audited by Auditor General
- 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 services charges arrears was made and included in the report. Action plan for data cleansing was then developed to address the high volume of long outstanding debts.

The Accounting Officer is also doing the review on the Credit Control and Debt Collection Policy to address the arrears.

- The Municipality obtained an unqualified audit opinion with few management issues to be addressed
- A serious going concern issue was noted by Auditor General which includes among other things:
 - (i) The Municipality's current liabilities exceeds its total assets by R24.56 million.
- A material electricity losses of R4.94 million were incurred which represents 49% of total electricity purchased. Losses were as a result of illegal connections.
- The Municipality has of course taken steps to address the issues raised in the Audit Report. This has been done through the developed Action Plan, which is always a standing item on Management meetings to track progress on solving issues.
- The recommendation of the Audit Committee in relation to the AFS and Audit Report were taken into consideration and implemented.

4.2. ALLOCATIONS / GRANTS RECEIVED AND MADE

- The grants received from other organs of state were accurately disclosed on the Annual Report
- It was noted that some funds were withheld.
- Long outstanding debts and creditors of the Municipality were properly disclosed on the notes to the AFS
- Disclosure on how allocations received have been spent per vote were made in accordance with Section 123 of the Municipal Finance Management Act.

4.3. DISCLOSURES OF SALARIES IN THE AFS

- The salaries, allowances and benefits paid to Councillors, Municipal Manager, CFO and Senior Managers were disclosed to the AFS.

4.4. MUNICIPAL PERFORMANCE

- The Annual Performance Report was included, outlining all the performance targets set in the budget, SDBIP and service agreements. It further give comparisons on actual achievements versus targets as expressed in the SDBIP

- The Performance Action Plan was then developed to address the improvement of poor performance. The plan was approved by Council
- The plan recommended the need for SDBIP review, due to targets not being set on smart principle
- Oversight Committee noted that performance is efficient and effective however it still requires some improvements
- The recommendation made by Internal Audit and Auditor General were included in the Audit Action Plan, The plan is monitored on weekly basis to track progress.
- The assessment on Service Providers was made and included in the Annual Report.
- The capital projects implemented during the financial year were all disclosed

4.5. ASSESSMENT ON PERFORMANCE

Formal assessment on performance of Municipal Manager and Managers directly accountable to the Municipal Manager was conducted. No bonus payments were made due to the Municipal financial constraints.

5. CONCLUSION

The Oversight Committee/MPAC note the improvement made by the Municipality based on the Auditor General's Report obtained during the financial year in 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 therefore congratulates the Honorable Mayor Cllr SJ Mavuso Kunene, Council of eDumbe, all Council Committees, Management and staff for this improvement.

6. RECOMMENDATIONS

The Oversight Committee recommends that:

1. Council having fully considered the Annual Report, adopts/approves the Oversight report without reservations
2. The Accounting Officer make public the Oversight report within seven days of the adoption, as per Section 129(3) of the MFMA.



Cllr. HH VILAKAZI

MPAC CHAIRPERSON