

eDUMBE LOCAL MUNICIPALITY



OVERSIGHT REPORT

2017/2018

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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 2017/2018 ANNUAL REPORT

The 2017/2018 Annual Report for eDumbe Municipality was table to Council on the 13th of December 2018 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 2017/2018 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 2017/2018 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 2017/2018 Annual Financial Statements of the Municipality were prepared in compliance with applicable accounting standards, they were audited by Auditor General and were included in the Annual Report for 2017/2018
- 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 by the Accounting Officer and included in the Annual report. Debtors age analysis was captured on the Annual Financial Statements. Action has been taken by the Municipality to address the issue of data cleansing and high volume of long outstanding debts. Though Auditor General's reported the debtor's book being understated, the Municipality made an action plan towards the correctness of such

Action is being taken by ensuring disconnections of long outstanding debts on monthly basis to address the issue of arrears on Municipal taxes and service charges
- The Municipality obtained an unqualified audit opinion with few findings to be addressed by Management
- Few though serious material matters were noted by Auditor General which includes among other things:
 - (i) Material electricity distribution losses of R7.82 million were incurred which represents 37% of total electricity purchased. Non-technical losses and other technical losses were as a result of ageing infrastructure.
The Municipality has then taken steps to address this issue through the project of installing new meters which is currently on implementation.
 - (ii) Material impairment of receivables from **exchange transactions of 5.81 million** as the recoverability of these debts were doubtful due to poor collection practices and a history of poor debtor payments
 - (iii) Material impairment of receivables from **non-exchange transactions of 6.50 million** as the recoverability of these debts were doubtful due to poor collection practices and a history of poor debtor payments.

(iii) Material impairment of receivables from **non-exchange transactions of 6.50** million as the recoverability of these debts were doubtful due to poor collection practices and a history of poor debtor payments.

(iv) Indigent register – appropriate and sufficient audit evidence could not be provided to Auditor General for audit and therefore making the indicator impracticable to audit.

An effective action has been taken whereby the Municipality goes house to house to collect data in order to compile the credible indigent register.

(v) Eskom Indigent register – The listing is provided by Eskom however the Municipality does not keep any form of supporting documentation to support the list. Auditor General could not confirm if the listing is reliable.

The Accounting Officer requested that Indigent Policy be reviewed to cater for the property value threshold option. Then valuation roll be used to support the list.

- 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 implemented.

4.2. 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

Fruitless and Wasteful Expenditure

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

- It was noted that some funds were withheld from EPWP and MIG grant. But due to some miscalculations by the Department, follow ups are being done to recover those funds.
- 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 have been 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.
- No Councillors were in areas for more than 90 days during the financial year

4.4. 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 give 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
- Oversight Committee/MPAC noted that based on Audit Report and opinion, Performance Management System is considered to be improving, however two target were not SMART and therefore requires improvements.. The Municipality did take note of those
- Through the AG Action Plan, and Mid-term assessment reports, actions were developed to address the improvement of poor performance.
- The plan recommended the need for SDBIP review, due to targets not being set on smart principle
- The recommendation made by Internal Audit and Auditor General were included in the Audit Action Plan, The 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 2018 as follows:

PROJECT NAME	STATUS OF COMPLETION
eDumbe Cemetery (Ward 3)	Completed

Kanyekanye Hall (Ward 5)	Completed
Mangosuthu Combi Court (Ward 2)	Completed
Ophuzane Combi Court (Ward 8)	Completed
Impucuko Sportfied	Completed
Tholakele Access Roads (Ward 6)	Completed
Ezingudeni Pedestrian Bridge (Ward 1)	Completed
Obivane / Nkonkotho Electrification (Ward 1)	Not completed by 30 June (due to some SCM delays)
Infrastructure upgrade (MV and LV Network) (Ward 3)	Completed
Enkembeni Electrification phase 4	Completed
Lenjane Electrification	Not completed
Nhlungwane Electrification (Pre-marketing and designs)	Completed

4.5. **ASSESSMENT ON PERFORMANCE EVALUATIONS**

Formal assessment evaluation of Municipal Manager and Managers directly accountable to the Municipal Manager were conducted for 2016/2017. Payment of bonuses were approved but not yet paid due to financial constraints. Assessment evaluation for 2017/2018 will be conducted once oversight report has been adopted by Council.

4.6. **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
- Annual Report was approved within the stipulated time frame as per the legislation. It was tabled on 13 December 2018

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 makes public the Oversight report within seven days of the adoption, as per Section 129(3) of the MFMA.



Cllr. HH VILAKAZI

MPAC CHAIRPERSON