

eDUMBE LOCAL MUNICIPALITY



OVERSIGHT REPORT

2019/2020 FINANCIAL YEAR

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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 by no later than two months from the date on which the annual report was tabled in Council and adopt an Oversight Report containing the Council's comment on the Annual Report.

2. ADOPTION OF THE 2019/2020 ANNUAL REPORT

The 2019/2020 Annual Report for eDumbe Municipality was tabled by the Honorable Mayor to Council as per Section 127(4) of the MFMA on the 31 March 2021. Due to delays in issuing of Final Audit Report by Auditor General, the Annual report was tabled without the Audit report. Council then resolved that it should be brought again for tabling once all documents are in place. The Annual report was then made public as per Section 127(5) of the said Act

When tabled, the 2019/2020 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 2019/2020 ANNUAL REPORT

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

- During 2019/2020 the Municipality functioned without the full Senior Management, i.e. the Chief Financial Officer and the Municipal Manager. This might impose risks and challenges in financial management if not attended to in the next financial years
- The Municipal Manager Mr MP Khathide resigned before end of the financial year under review and the Council appointed Mr JFK Khumalo as an Acting Municipal Manager on a three months fixed term contract.

4.1. ANNUAL FINANCIAL STATEMENTS

- The 2019/2020 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 are included in the 2019/2020 Annual Report.
- 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 100 million
- During the strategic planning held on the 19 – 21 April 2022, action has been taken by the Municipality to address the issue of data cleansing and high volume of long outstanding debts.

Revenue Section to ensure implementation of disconnections on long outstanding debts on monthly basis to address the issue of arrears on Municipal taxes and service charges

The Municipality to set monthly targets that will focus on increasing revenue collection rate and also ensure functionality of Revenue Enhancement Structures.

- **The Municipality obtained a Qualified audit opinion for 2019/2020 financial year with other material issues to be addressed by Management. Material issues raised were as follows:**

4.1.1. MATERIAL IMPAIRMENTS

- (i) **Material impairment allowances of R106.43 million (note 4 to the AFS) and R11.26 million (note 6 to the AFS) were recognized due to poor collection practices and a history of non-payment by consumers.**
- (ii) **Material electricity distribution losses of R3.98 million were incurred which represents 15% of total electricity purchased.** This is due to illegal electricity connections and ageing electricity infrastructure.

The Municipality resolved during the strategic planning to replace/install new meters at Ward 3 to avoid illegal connections

4.1.2. EXPENDITURE MANAGEMENT

- (i) **Irregular expenditure of R41.09 million disclosed in note 44 to the financial statements was misstated by an undetermined amount**
- (ii) **Reasonable steps were not taken to prevent Irregular expenditure of R802 659, Fruitless and wasteful expenditure amounting to R370 454 and Unauthorised expenditure amounting to R7,91 million as disclosed in notes to the AFS**
- (iii) **The majority of the unauthorised expenditure was caused by overspending on budget votes.**

4.1.3. CONSEQUENCE MANAGEMENT

- (i) **Unauthorised, Irregular, Fruitless and Wasteful expenditure incurred by the Municipality was not investigated to determine if any person is liable for the expenditure as required by Section 32(2)(b) of the MFMA.**
- ❖ **MPAC resolved that investigations through office of the Internal Audit will be conducted to determine if any person is liable for the UIFW expenditure.**

- ❖ MPAC further requested that AG Action Plan be 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

4.2. 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.
 - Unauthorized Expenditure
 - Irregular Expenditure
 - 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 and MIG and INEP grant. The Municipality managed to spend 100% of allocated funds within the stipulated timeframe.
- Disclosures on how allocations received were spent per votes 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 ANNUAL PERFORMANCE (APR)

- 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
- Material misstatements that were on the reported performance information of the Basic Service Deliver and Infrastructure Development were subsequently corrected, as a result there were no material findings
- 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 2020 as follows:

PROJECT NAME	STATUS OF COMPLETION
Emfeni Access Roads Phase 6 (Ward 8)	Project was not completed by 30 June 2020
Mangosuthu Community Hall (Ward 2)	Project was not completed by 30 June 2020
Edumbe Community Hall Phase 1 (Ward 3)	Phase 1 was partially complete by 30 June 2020
kwaMpunzi Community Hall (Ward 5)	Partially complete by 30 June 2020
Paddafontein Community Hall (Ward 8)	Partially complete by 30 June 2020
Khambule Community Hall (Ward 7)	Project was not completed by 30 June 2020
kwaGedlase Community Hall	Project was not completed by 30 June 2020
Nkonkotho Pension Point	Project was not completed by 30 June

	2020
Lenjane Electrification Phase 3 (Ward 1)	Partially complete by 30 June 2020
Obivane Electrification Phase 1 (Ward 1)	Project was not completed by 30 June 2020
Nhlungwane Electrification Phase 2 (feasibility studies (Ward 8)	Project was not completed by 30 June 2020
Nkembeni Electrification (Ward 1)	Partially complete by 30 June 2020
Infrastructure Upgrade (Installation of MV lines) (Ward 3)	Project was not completed by 30 June 2020
Ntungwini Electrification Phase 2 (Ward 6)	Partially complete by 30 June 2020

MPAC noted the under-performance on execution of Capital projects. Most of them were not completed within the financial year i.e. by 30 June 2020. Infrastructure Department has to closely monitor the projects and penalize Contractors for slow progress on site.

4.5. ASSESSMENT ON PERFORMANCE EVALUATIONS

Formal assessments evaluations for 2019/2020 on Municipal Manager and Managers directly accountable to the Accounting Officer were planned to be conducted after audit, but due to lockdown restriction the process delay. Another date will be set and evaluation will be conducted virtually as recommended by Audit Committee members.

Therefore no performance assessments evaluation were conducted and no bonuses were paid.

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

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 on UIFW expenditure

The emphasis was made on filling all vacant Senior Management positions.

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