

eDUMBE LOCAL MUNICIPALITY



OVERSIGHT REPORT

2020/2021 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 2020/2021 ANNUAL REPORT

The 2020/2021 Annual Report for eDumbe Municipality was presented by Auditor General to Council as per Section 127(4) of the MFMA on the 27 January 2022 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 2020/2021 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 |

4. DISCUSSION OF THE 2020/2021 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 2020/2021 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 2020/2021.
- 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 160.76 million
- The following actions were taken to address the issue of increase in the Municipal Debtor book balance:
 - Replacement and installing of new meters which is on-going to reduce tempering
 - Revenue enhancement strategy has been developed whereby consumers are given a grace period to pay 50% of their debt and 50% to be written off till 30 April 2022
 - Revenue and Electricity Units to implement monthly disconnections on long electricity outstanding debts consistently
 - Set monthly targets that will focus on increasing revenue collection rate
- The Municipality obtained a Qualified audit opinion for 2020/2021 financial with other Management issues to be addressed by Management. Basis for Qualification were as follows:

- (i) The Municipality did not recognise all land registered in their name resulting in the financial statements being misstated by an amount of R30,18 million. Furthermore Auditors were unable to obtain sufficient audit evidence for land recorded in the AFS.
 - (ii) Electrification Assets were recorded on the Asset register although the Municipality did not have control of those Assets.
 - (iii) As a result Property, Plant and Equipment were overstated by R35.60 million
- The following material issues were raised and repeated from the previous Audit:
 - (i) Material impairment on consumer debtors of R131.29 million due to poor collection and a history of non-payment by Debtors
 - (ii) Impairment on other receivables from non-exchange transactions of R14.50 million due to poor collection and non-payment
 - (iii) Material electricity losses of R6.60 million were incurred which represents 21% of total electricity purchased. This is due to illegal electricity connection and ageing electricity infrastructure.
 - (iv) No reasonable steps were taken to prevent unauthorised expenditure incurred amounting to R24.76 million. This was caused by overspending on budget votes
 - (v) No investigation was done to determine if any person is liable for Irregular, Fruitless and Wasteful expenditure incurred amounting to R16.05 million as required by Section 32 of the MFMA
 - 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.

4.2. 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 (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 have been spent per vote was 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, Former Municipal Manager, Acting Municipal Manager, Former CFO and all 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.
- Three Councillors that were in areas for more than 90 days were disclosed in the AFS

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 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
- Oversight Committee/MPAC noted that based on Audit Report, Performance Management System on Basic Service Delivery. AG was unable to obtain sufficient audit evidence on three indicators to confirm that projects were completed. The projects in question are as follows:
 - Maintenance of 10km Mangosuthu gravel road
 - Obivane Electrification Phase 1
 - Installation of MV Infrastructure for Obivane Electrification Phase 2

- 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 2021 as follows:

PROJECT NAME	STATUS OF COMPLETION
Construction of Mdwadlaza Pedestrian Bridge (Ward 1)	Not Completed by 30 June 2021
Construction of Emfeni Access Road Phase 2 (Ward 6)	Completed
Construction of eDumbe Tarred roads (Ward 3)	Completed
Construction of Paulpietersburg tarred roads (Ward 3)	Completed
Maintenance of 10km Mangosuthu gravel roads (Ward 2)	Completed
Construction of Pivaan Pedestrian Bridge (Ward 7)	Not Completed by 30 June 2021
Construction of Ezibomvu Community Hall (Ward 2)	Not Completed by 30 June 2021
Construction of Edumbe Community Hall Phase 2 (Ward 3)	Completed
Construction of Hartland Community Hall (Ward 5)	Completed
Construction of eMapayipini Community Hall (Ward 8)	Completed
Replacement of 416 Street lights with	Not Completed by 30 June 2021

LED lights (Ward 3)	
Obivane Electrification Phase 1 (Ward 1)	Completed
Obivane Electrification Phase 2 (installation of MV infrastructure) (Ward 1)	Completed
Nkonkotho Electrification Phase	Not completed by 30 June 2021 (4 houses we not electrified)
Nhlungwana Electrification Phase 2 (Ward 8)	Not completed by 30 June 2021 (six houses were not electrified)
Zungwini Electrification Phase 1) Ward 7)	Completed
KwaSonkela Electrification (Ward 1)	Completed
Infrastructure Upgrade for substation Phase 1 (Ward 3)	Completed

4.5. ASSESSMENT ON PERFORMANCE EVALUATIONS

Formal assessments evaluations for 2020/2021 on Municipal Manager and Managers directly accountable to the Accounting Officer are not conducted yet. As a result no performance 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.

The Committee further recommends Council to fast track the filling of vacant Senior Management positions.

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