

eDUMBE LOCAL MUNICIPALITY



OVERSIGHT REPORT 2023/2024 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 2023/2024 ANNUAL REPORT

The 2023/2024 Annual Report for eDumbe Municipality was presented by Auditor General to Council as per Section 127(4) of the MFMA on the 21 January 2025 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 2023/2024 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:

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|------------------------|---|-------------|
| (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 2023/2024 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 2023/2024 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 2023/2024.
- 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. Applications are open till to date
 - For indigent consumers, outstanding debts for rates and services will be written off once data cleansing exercise has been implemented verified and completed

- Revenue and Electricity Units to implement monthly disconnections on long electricity outstanding debts every once a quarter.

4.2. 2023/2024 AUDIT OPINION

- The Municipality obtained an unqualified audit opinion for 2023/2024 financial year with few findings to be addressed by Management.
- The following material issues were raised and repeated from the previous Audit:
 - (i) Receivables from exchange transactions were impaired by R123.26 million respectively as the recoverability of these amounts were doubtful
 - (ii) Receivables from non-exchange transactions were impaired by R90.23 million and R21.84 million respectively as the recoverability of these amounts were doubtful
 - (iii) Material electricity losses of R17.06 million was incurred which represents 40% of total electricity purchased. Losses are due to illegal electricity connection and ageing electricity infrastructure.
 - (iv) 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. Auditors could not determine if the reported achievement was correct, as the process established to consistently measure and report achievements were inadequate.
Adequate supporting evidence was not provided for auditing; consequently the reported achievement might be more or less than reported and was not reliable to determine if the target had been achieved.

4.2.1. Other Matters raised were as follows

- (v) Money owed by the Municipality was not always paid within 30 days, as required by Section(2)(e) of the MFMA
- (vi) Reasonable steps were not taken to prevent Irregular expenditure amounting to R88.10 million. The majority of the irregular expenditure was caused by non-compliance with SCM Regulations
- (vii) Reasonable steps were not taken to prevent unauthorised expenditure amounting to R61.57 million. The majority of the unauthorized expenditure was caused by overspending on the approved budget to non-cash items
- (viii) Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R4.03 million. The majority of the fruitless and wasteful expenditure was caused by interest incurred on overdue accounts

(ix) Capital assets were disposed of without the Municipality Council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services and considered the fair market value of the assets

(x) The Municipality investigated allegations of fraudulent payments made to a Service Provider by a Municipal Official which was discovered during 2023/2024 FY. Allegation was reported to SAPS and at the bank. The investigation is currently in progress.

- A detailed AG Action plan has been developed with appropriate dates of action.
- The recommendations of the Audit Committee in relation to the AFS and Audit Report were taken into consideration and were 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 ANNUAL FINANCIAL STATEMENTS

- The salaries, allowances and benefits paid to Councillors, Municipal Manager, Acting 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 following Councillor's accounts that were in areas for more than 90 days were disclosed in the AFS, i.e.

K Ngema	R26 233
SJ Kunene	R29 877
VA Mthethwa	R10 341

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 Managers 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 2024 as follows:

PROJECT NAME	STATUS OF COMPLETION
Construction of Nqabeni Access Road (Ward 5)	Completed
Construction of Lindelani Access Road (Ward 3)	Completed
Construction of KwaBhukuda Pedestrian Bridge (Ward 9)	Completed
Construction of kwaNgwanya Bridge (Ward 2)	Completed
Construction of KwaNkomo Bridge (Ward 10)	Completed
Construction (repairs) of kwaLubenjane Bridge (Ward 6)	Completed
Construction (repairs) of Ezingudeni Bridge (Ward 1)	Completed
Construction of Phase 5 Community Hall (Ward 2)	Completed
Construction Paulpietersburg Roads (Ward 9)	Completed
Kwasonkela Electrification Phase 4 (Ward 1)	Project was not completed within 2023/2024 FY then rolled over to 2024/2025 FY for completion
Moscow Electrification (Ward 4)	Project was not completed within 2023/2024 FY then rolled over to 2024/2025 FY for completion
Emasimini Electrification (Ward 2)	Completed
kwaKhambule Electrification Phase 2 (Ward 7)	Project was not completed within 2023/2024 FY, it has been put on hold due to budget constraints

Esikhaleni MV Link Line Upgrade (Ward 9)	Completed
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4.6. ASSESSMENT ON PERFORMANCE EVALUATIONS

Formal assessment evaluations for 2022/2023 and 2023/2024 financial years on Municipal Manager and Managers directly accountable to the Accounting Officer were conducted on the 26th February 2025, Bonuses are due to be paid on the 25th March 2025.

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 and Business Continuity 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