



Steve Tshwete
Local Municipality



MPAC OVERSIGHT REPORT ON 2023/2024 ANNUAL REPORT

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1. PURPOSE

The Local Government: Municipal Finance Management Act (MFMA) of 2003 and the Municipal Systems Act (MSA) of 2000 require municipalities and their entities to prepare annual reports based on their annual service delivery processes and overall municipal performance, for inspection by relevant stakeholder groups. The Steve Tshwete Local Municipality has accordingly prepared its 2023/24 Annual Report in accordance with its key performance areas, to account to the communities it serves.

The annual reporting procedure is monitored by an oversight report, which in the municipality's case is the report of Council on the 2023/24 Annual Report of the Municipality. In the Steve Tshwete Local Municipality, the process of oversight is referred to the Municipal Public Accounts Committee, which acts as the Oversight Committee of Council. This Oversight Report is a product of the Municipal Public Accounts Committee's deliberations on the 2023/24 Annual Report.

Council approves the Oversight Report after MPAC has fulfilled the following duties:

- Review and analysis of the Annual Report;
- Receive and consider inputs from councillors and supporting committees;
- Consider written comments received on the Annual Report from the local community or any organs of state to make representations on the Annual Report;
- Receive and consider Councils' Audit & Performance Committee views and comments on the annual financial statements and the performance report;
- Prepare the Oversight Report to be tabled before Council for consideration.

2. INTRODUCTION

The drafting of the Annual Report is a process guided by the Municipal Finance Management Act (MFMA), Municipal Systems Act (MSA) and National Treasury Circulars. In ensuring adherence to these, the municipal administration submitted the first Draft 2023/24 Annual Report to Council for noting on 29 October 2024, under item **SC03/10/2024**. On 28 January 2025, the updated draft document was submitted to Council under item **C20/01/2025**. An extract of the resolution by Council is attached as **Annexure A**.

This process complies with Section 127 (a) (b) and 129 of the Local Government Municipal Finance Management Act (No. 56 of 2003) and the National Treasury Regulation (Circular 32 and 63) on the presentation of the Annual Report and processing of the Oversight Report.

The draft Annual Report 2023-2024 was publicized for public comments in the local newspaper (Middelburg Observer), the municipal website and Facebook page, at notice boards at all municipal libraries and pay points from 7th – 28th of February 2025. No comments were received from the public. The draft Annual Report 2024-2025 was submitted to the National and Provincial Treasury, COGHSTA, Auditor General and the Audit & Performance Committee.

The purpose of the Annual Report is:

1.1 To provide a record of the activities of the Municipality during the financial year to which the report relates namely 2023/2024.

1.2 To provide a report on performance in service delivery against the budget of the Municipality.

1.3 To promote accountability to the local community for the decisions made throughout the year by the Municipality.

1.4 To provide information that supports the revenue and expenditure decisions made.

The Annual Report is a key instrument of transparent governance and accountability. It provides the community and other stakeholders within the opportunity to gain insight in the functional of the Municipality, together with statistical information. It presents an opportunity to restore voter and business confidence in the running of the Municipality.

The main components of the Annual Report submitted to Council were the following:

- The Annual Performance Report, as required in terms of Section 46 of the Municipal Systems Act (MSA).
- The Annual Financial Statements submitted to the Auditor-General.
- The Auditor-General's Audit Report on the financial statements and programme performance in terms of Section 126 (3) of the MFMA and 45 (b) of the MSA respectively.

Council has the responsibility to oversee the performance of the municipality as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). This oversight responsibility of Council is particularly important for the process of considering annual reports.

This responsibility is confirmed as per the guideline received from COGHSTA that one of the primary functions of MPAC is to examine the financial statements and audit reports.

The Annual Report, which includes the Annual Financial Statements as well as the Report of the Auditor General, is attached as **Annexure B** to this oversight report.

3. COMPOSITION OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Circular No.32 of MFMA (Municipal Finance Management Act No.56 of 2003) requires that MPAC should be made up of only non-executive Councillors. It further states that municipal officials cannot serve as members. All meetings of MPAC must be open to the public, and timely notice of meetings should be given to enable representations to be made.

The MPAC membership is constituted as follows equivalently representing the political parties in Council:

No.	Member	Gender	Political Affiliation	Designation
1	Ald HF Niemann	Male	Democratic Alliance	Chairperson
2	Cllr WMM Phetla	Male	African National Congress	Member
3	Cllr ML Shabangu	Male	African National Congress	Member
4	Cllr L. Sibanda	Female	African National Congress	Member
5	Ald J Skosana	Male	African National Congress	Member
6	Cllr D A Stuurman	Male	Democratic Alliance	Member
7	Ald. A Struwig	Female	Democratic Alliance	Member

No.	Member	Gender	Political Affiliation	Designation
8	Cllr P Malinga	Female	Economic Freedom Fighters	Member
9	Cllr A Cossa	Female	Economic Freedom Fighters	Member
10	Cllr JC Haarhoff	Male	VF Plus	Member
11	Cllr H Pilodia (Uys)	Female	MHRF	Member

Municipal officials are not members of MPAC however, the Accounting Officer and Senior Managers are required to attend MPAC meetings as required to account for their respective areas of responsibilities. All meetings of the MPAC are open to the public, and timely notice of meetings are issued to enable community representations during the MPAC Sessions.

4. OVERSIGHT TIMEFRAMES

4.1. Meeting Schedule

National Treasury's MFMA Circular No. 32 provides for certain provisions about the compilation of the Oversight Report. These provisions cover the following areas:

- Managing the process and forming committees;
- Timing considerations;
- Understanding the Annual Report and determining conclusions.

MPAC, in developing this Oversight Report, complied with the relevant legislative prescripts.

The meeting schedule of the Municipal Public Accounts Committee from 13 November 2024 to 12 March 2025 is outlined below:

DATE	TIME	VENUE	FOCUS AREA
13/11/2024	10h00	Council Chamber	Fruitless and Wasteful expenditure and Annual Report
15/01/2025	10h00	Council Chamber	Fruitless and Wasteful expenditure
12/02/2025	10h00	Council Chamber	Fruitless and wasteful expenditure
12/03/2025	10h00	Council Chamber	Consideration of the Oversight Report

5. LEGAL FRAMEWORK

The preparation of the 2023/2024 Oversight Report is drafted in accordance with Section 129 (1) of the Municipal Financial Management Act (2003), which specifies that a municipal council must consider the Annual Report and refer the Annual Report to an Oversight Committee, and that, the Oversight Committee must prepare an Oversight Report containing comments and recommendations. The Council must when accepting the Oversight Report state whether it (the Council) has approved the Annual Report with or without reservations; has rejected the Annual Report; or has referred the Annual Report back for revision of those components that can be revised.

Circular No.32 of the Municipal Finance Management Act, Act No 56 of 2003 recommends that council should consider the establishment of an Oversight Committee under Sections 33 and 79 of the Municipal Structures Act (1998).

The Circular further states that this Committee and, if needed, sub-

committees, could be responsible for the detailed analysis and review of the Annual Report and subsequent drafting of an Oversight Report that may be taken to full Council for discussion. Such committee, according to this Circular, may receive and review representations made by the public and seek inputs from other Councillors and Council Portfolio Committees.

5.1 In terms of Section 127(2) of MFMA “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...”

5.2 In terms of Section 129(1) and (2) of the MFMA “The council of a municipality must consider the Annual Report of the municipality ..., and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council’s comments on the annual report, which must include a statement whether the council—

- (a) Has approved the annual report with or without reservations;
- (b) Has rejected the annual report; or
- (c) Has referred the annual report back for revision of those components that can be revised.

The accounting officer must attend council and council committee meetings where the Annual Report is discussed, for the purpose of responding to questions concerning the report...”

6. STATUTORY COMPLIANCE

The process for the finalization and approval of the 2023/24 Annual Report was conducted as per the table below:

ACTIVITY DESCRIPTION	PROVISION
Preparation of annual financial statements of the municipality and submission to the Auditor-General	Municipal Finance Management Act section 122(1)(2)
Receipt of final audit report from Auditor-General	Municipal Finance Management Act section 126(3)(b)
Tabling of Final Draft Annual Report in Council by Mayor	Municipal Finance Management Act section 127(2)
Allowing for comment by community and relevant state organs	Municipal Finance Management Act section 127(5)(a) & (b)
Corrective actions to AG's opinion formulated and tabled in Council	Municipal Finance Management Act section 121(3)(g)
Submission of Annual Report and Oversight Report to AG, Provincial and National Treasury and MEC: COGHSTA	Municipal Finance Management Act section 129(2)(b)
Communication of final Annual Report / Oversight Report (Website, hard copies and other mediums)	Municipal Finance Management Act section 129(3)
Submit Annual Report / Oversight Report to the Provincial Legislature	Municipal Finance Management Act section 132 (1) (2)

7. PUBLIC PARTICIPATION IN THE OVERSIGHT PROCESS

Section 130 of the MFMA specifies that public participation must be a central element of all processes relating to an Annual Report. In so doing, the aforementioned section instructs that, the meetings of a municipal council or committee established by Council at which an

Annual Report is to be discussed or at which decisions concerning an Annual Report are to be taken, must be open to the public and any organs of state.

As part of promoting public participation in the oversight process, municipalities are obliged to undertake the following additional actions:

- Invite written submissions from the local community or organs of state on the Annual Report.
- Make public all meetings at which the Annual Report will be discussed.
- Representatives of the Auditor-General are entitled to attend and to speak at any meeting that deals with the Annual Report.

In this regard, the Municipality undertook the following initiatives to promote public participation in the oversight process:

MECHANISM TO PROMOTE PUBLIC PARTICIPATION	STATUS	COMMENTS
Invitation to public to submit comments on the Annual Report	Done	Members of the Public were invited to submit their comments on the Annual Report to the Municipality. An advertisement was placed in the local newspaper (Middelburg Observer), municipal website, and municipal Facebook page and on the notice boards,

MECHANISM TO PROMOTE PUBLIC PARTICIPATION	STATUS	COMMENTS
		calling for comments on the draft Annual Report.
Annual Report printed and distributed to municipal offices for access by local communities & stakeholders	Done	Copies of the Annual Report lie open for inspection at the municipal library and also published on the municipal website (www.stlm.gov.za)

8. OBSERVATIONS ON THE ANNUAL REPORT 2023/24

MPAC made the following observations and recommendations in respect of the Draft Annual Report including attachments for the financial year 2023/24 as follows:

8.1 IDP, PUBLIC PARTICIPATION AND COMMUNICATION

The IDP reflects the strategic direction and goals set by Council and the MPAC is satisfied that the IDP reflects all the core components of IDP as per the provisions of Section 26 of the Municipal Systems Act.

8.2 PERFORMANCE MANAGEMENT

MPAC noted the improvement in overall institutional performance that was reported at 78% for 2023/24 it showed an improvement of 6, 3% compared to 66, 67% achieved in the 2022/23 financial year. This reflects having achieved 29 targets out of the 37 targets that were set for the year.

The best performing priority areas were Spatial Planning & Community Development, as well as Local Economic Development at 100% and Service delivery & Infrastructure Development at 92%. The areas that need improvement are Financial Viability at 67%, Good Governance & Public Participation at 67% and Municipal Transformation & Organizational Development at 33%.

8.3 ANNUAL REPORT

The Municipal Public Accounts Committee would like to extend its appreciation on the work done by the Development & Strategic Support department in compiling the Annual Report for the Municipality.

The 2023/2024 final Annual Report of Steve Tshwete Local Municipality has been prepared in line with the provisions of various pieces of legislations like the Local Government Municipal Systems Act, 2000 read together with the provisions of the Local Government Municipal Finance Management Act 56 of 2003.

Chapter 1

- The Mayors Foreword
- Municipal Managers Foreword

- Municipal Functions Population and Environment; Service Delivery; Financial; Organisational Development Overview and Auditor-General Report

It is commendable that the municipality has improved on its **performance**. The municipality needs to strengthen monitoring, assessment and reporting of progress in all KPI's with special attention to service delivery departments as they are crucial activities towards achieving 100% and evidence of improvement is verifiable.

The Municipality has to put a lot of effort in improving on the **Qualified Audit outcome**. During the 2023/24 financial year, Steve Tshwete Local Municipality achieved good progress in fulfilling its constitutional obligation of delivering basic services to the communities guided by its vision to deliver services in an integrated and community driven service manner. Service delivery remains the key deliverable, a promise the Steve Tshwete Local Municipality's community.

Implementation of Council Resolutions are also reflecting in the Annual Report under as a target on Annual Performance Report which shows that there is progress that is made by the institution on implementation of Council Resolutions.

Chapter 2

- Political and Administrative Governance
- Inter-Governmental Relations (IGR)
- Public Participation; Alignment & Meetings
- Risk Management; Supply Chain Management; By-Laws; Website and Public Satisfaction on Municipal Services

The MPAC recognizes the fact that municipality has ensured that there is full participation of the public in issues of the municipality during the year through:

- IDP/LED Representative Forum.
- IDP /Budget Community Consultation Road shows.
- Mayoral Outreaches/Imbizos
- Bi-monthly ward community meetings

Notices are issued on time and dispatched in public places to ensure that each Ward is afforded the opportunity to participate. It is vital that the public and stakeholders are privy to municipal programmes.

Chapter 3

- Water/Waste water Provision; Electricity; Waste Management; Housing; Free Basic and Indigent Support; Roads; Transport; Physical Planning; Local Economic Development (LED); Libraries; Building Services; Cemeteries & Crematoriums; Childcare & Social Special Programmes; Youth Development; Pollution Control; Traffic and Security; Fire Services and Disaster Management; Executive Council; HR – ICT - IDP and Financial Services.

The Local Economic Development projects were noted by MPAC. Manufacturing, Mining and Tourism are industries that can turnaround the economy of Steve Tshwete Local Municipality. The Municipality needs to continue to support the exploitation of these opportunities within Steve Tshwete.

Chapter 4

Organizational Development Performance, which touches on Municipal Personnel; Workforce; Managing the Workforce Expenditure.

The report on Institutional Development and organizational performance is noted by MPAC. The municipality should strive to fill all critical vacancies immediately, and continue to monitor the leave, in line with the Leave Policy.

The overall performance of the municipality has improved and employees should continue to work with commitment towards the achievement of 100%.

Chapter 5

Financial Performance and Statements; Capital Budget Spending; Cash flow Management and other Financial Matters.

Chapter 6

Auditor-General Previous and Current Year Report have been documented.

Appendixes A to X

8.4 OVERSIGHT PROCESS OVER THE 2023/2024 ANNUAL REPORT

As per Annexure A paragraph 5 of Circular 32 of the MFMA, the process followed was as follows:

8.4.1 The draft Annual Report was submitted to Council on 29 October 2024 for noting and the updated report was again submitted to Council on 28 January 2025 under Resolution **C20/01/2025. (See Annexure A attached)**

8.4.2 The draft Annual Report for 2023/2024 was consequently publicized for public comments in the local newspaper (Middelburg Observer), Municipal website and Municipal libraries from 7 to 28 February 2025, pursuant to Section 127(5) of the MFMA and Section 21A of the Local Government Municipal Systems Act 32 of 2000.

No comments were received from the public. **(See Annexure C for copies of these publications)**

8.4.3. The draft Annual Report 2023/2024 was submitted to the Audit Committee and the report served before the Committee on 11 March 2025, and comments received have been incorporated into the report.

These comments referred to the Annexures that should include the latest comments from the Auditor General, Provincial Treasury as well as other stakeholders. The Committee also stressed the importance of community participation and improved communication through the Ward Committees as well as with the Chamber of Commerce. **(See Annexure D attached)** The Minutes of the meeting is not yet available.

8.4.4. The draft Annual Report was reviewed by the Auditor General on 25 January 2025 and verbal comments received were incorporated in the report. There was no alterations proposed.

8.4.5. The draft Annual Report served at MPAC on 13 November 2024 and the following resolution was taken. **MPAC03/11/2024 (See Annexure E Resolution and Minutes of Committee)**

8.4.6. The draft Annual Report served at Council on 28 January 2025 and the Council approved the publication of the report for comments and resolved that the report be referred to MPAC for preparation of the oversight report. **(See Annexure A for resolution C20/01/2025)**

8.4.7 The draft Annual Report was submitted again to the members of the Audit and Performance Committee on the 11^h of March 2025 and the verbal comments received have been incorporated in the report.

8.4.8 The Annual Report/ oversight report was again submitted to MPAC on 12 March 2025 and the resolutions taken are included in in the Oversight report. **(See Annexure F for Resolution MP03/03/2025)**. The minutes of the March meeting have not yet been considered by the Committee and therefore are attached unsigned.

8.4.9 The final Annual Report 2023-2024 will serve before Council on 25 March 2025 during the ordinary Council meeting. The Council resolution will be attached to Oversight Report.

The audited financial statements for 2023/2024 indicated revenue of R2 386 621 089.00 and expenditure of R2 556 808 406.00. The deficit for the year was R170 187 316.00 which is more than the amount of R109 897 961.00 for the 2022/2023 financial year.

The following matters were raised by MPAC and the response of the Administration is indicated, together with the recommendations from MPAC:

REMARKS	QUESTIONS	RESPONSES	RECOMMENDATIONS
1. Material misstatements were identified and the possible cause was the change in methodology used.	Why did the change happen and is it corrected to prevent similar problems in future?	The methodology on the impairment of receivables was not properly aligned to the GRAP Standard on Impairment of Receivables. The impairment indicators on receivables as per the standard of GRAP was identified not to be consistent with the approved impairment methodology during the audit. The impairment methodology will be revised to correct the inconsistency and approved by Council prior to the 2024/2025 statutory audit.	- That the required changes be monitored as part of the implementation of the audit action plan.
2. Water quality. The Blue drop score fell from 97.1% to 67.4%	Are we implementing the necessary corrective measures to improve quality? Is our water still	Water is safe for human consumption. Regular monitoring are done to ensure compliance with SANS. The drop on the score was mostly affected by	- That regular test of water quality be undertaken. - That record keeping of blue drop requirements be improved.

	safe for human consumption?	borehole information that was not sufficient.	
3. The AG mentioned that 74% of debt will not be recovered and that the salary component makes up 92% of the actual available budget	Is their assumption correct?	The Auditor General assumption is based on the impairment of debtors' calculation. When taking into consideration the payment rate of all outstanding debtors the assumption is correct. However, it must be noted that the municipality is in the drive of collecting from the old debtors. Strict credit control measures are applied, where there is not response especially on business water restriction is now being applied. Handed over to municipal legal experts to assist with account over-due for more than 90days and above. In terms of the assumption on the salary component, we are in disagreement as the salary component is 31% on actual and 33% on budget.	- Strict credit control measures be implemented and outstanding debt of more than 90 days be reduced and progress be indicated in the quarterly reports.
4. The debtors' turnover is 103 days according to AG, and our reports mention 76 days.	What is the real turnover period?	The municipality calculated the ratio excluding debtors from the previous years and the AG approach was inclusive of the debtors from the previous years. The methodology for calculation of debtor's turnover rate is based on the treasury formulas, however for proper monitoring of the progress on overall collection of debts by the municipality; the AG debtor's turnover of 103 days is more reflective of the state of affairs of the municipality.	- That the turnover rate be reduced to reach the norm of 76 days. - - That a report on long outstanding debtors by businesses and individuals be submitted to MPAC by May 2025. That a list of long outstanding debtors for National and Provincial Government accounts be submitted in order to determine a strategy to reduce these debts.
5. The AG mentioned that the average creditor's payment period is 79	What are we doing to improve on the payment of creditors?	Payment to creditors can only be done effectively when there is sufficient cash in the municipality account. This can be achieved by increasing of municipal revenue through	- That steps be implemented to reduce the average payment period to reach the norm. - That departments ensure correct invoices

<p>days instead of the prescribed 30 days</p>		<p>implementation of revenue enhancement strategies e.g. strictly implementation of credit control policy, cut-off illegal connections on both electricity and water, increasing of municipal billing through identifying of properties that are not on the billing net.</p>	<p>are submitted on time to finalise payments.</p>
<p>6. It was mentioned that conditional grants were not evaluated within two months.</p>	<p>Explain this comment by the AG</p>	<p>In terms of paragraph 37 of the audit report, the statement is read as follows : Performance in respect of programmes funded by the Integrated National Electrification Grant (INEP) was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 5 of 2023).</p>	<p>Noted</p>
<p>7. The indigent list is not up to date and 204 deceased persons were still on the list. Value R1 027 306</p>	<p>How often do we check with Home Affairs and other organizations to prevent this?</p>	<p>The indigent verification process is normally performed on an annual basis, however following the finding from the Auditor General relating to the validity of the indigent status of some beneficiaries, management considered performing the indigent verification on a bi-annually basis.</p>	<ul style="list-style-type: none"> - That the Policy on indigent support be reviewed to do verification of beneficiaries every 6 months. <p>That the financial implication of this change in the policy be spelled out in the report.</p>
<p>8. The AG raised concern that consequence management is not implemented and that UIFW is not investigated properly by MPAC.</p>	<p>Updates must be given on progress with cases opened, disciplinary action etc.</p>	<p>The municipality is still awaiting the progress on the investigation of the cases opened by the SAPS. Detailed reports on the UIFW has been compiled by the Budget and Treasury for consideration by the Council in terms of the requirements of the MFMA Section 32(2) b read together with the MFMA Circular 68 In terms of section 32(2)(b) of MFMA read with regulation 74 of the Municipal Budget Reporting Regulation the</p>	<ul style="list-style-type: none"> - That the detailed update be provided to MPAC on the progress made with the investigations by law enforcement agencies. - That the forensic report on the Mhluzi substation be provided as matter of urgency at an upcoming special council meeting. - That the cost of the forensic investigation be submitted to MPAC.

		<p>Municipal Council must refer UIFW expenditure to Council Committee (MPAC) for investigation. The MPAC should then advise Council based on the outcome of the investigation on the proper decision to be taken in processing the UIFW. Such procedure will be sufficient to address the finding on the lack consequence management implementation by the municipality.</p>	
<p>9. Deficit increased to R170 187 316</p>	<p>It is a concern that we are worse off than in 2023</p>	<p>Yes. The fact that the municipality reported a deficit on its statement of annual performance is cause for concern as it has negative effect by reducing its reserves as reported on the statement of financial position.</p> <p><u>The effect of the deficit from operations emanates from the following amongst others:</u></p> <ul style="list-style-type: none"> a) Overspending on the approved annual budgets b) Cash flow challenges c) Under collection of the municipal billed revenue d) Lack of proper budget management 	<ul style="list-style-type: none"> - That strict budget control be implemented and cash flow be managed. - That cost curtailment measures be implemented.
<p>10. Bank balance was R20 676 088 and cash and cash equivalents was R27 604 828.</p>	<p>Should figures not be the same? Explain difference.</p>	<p>The cash and cash equivalents on the statement of financial position is based on the general ledger/cashbook and the bank balance is reported based on cash in the bank.</p> <p>For reporting purposes on the annual financial statements, the figures are based on the General Ledger and the difference is accounted for through the bank reconciliations</p>	<p>Noted</p>

		statements as at year-end. The difference mainly relates to the transactions on the bank statements not yet recorded in the cashbook and vice versa.	
11. The current liabilities of R772 378 570 far exceeds the current assets of R336 720 490 which is very unhealthy	How can we improve this ratio?	<p>The liquidity ratio can be improved through the reduction of liabilities and improving cash flow management. That can be achieved through the following strategies:</p> <ul style="list-style-type: none"> - Investment of surplus funds in a short-term on interest bearing accounts to maximize returns - Ensure timely payments by debtors through strict implementation of the credit control policy - Implementing tariffs that are cost reflective - Cut non-essential spending - Implement energy saving initiative and reduction of bulk purchases on electricity - Reduction of employee related cost especially overtime and standby cost 	<ul style="list-style-type: none"> - That any surplus funds be invested. - That non-essential spending be reduced and overtime be only be authorized after proper verification. - That the acting allowances and overtime only be paid in accordance with the legislation.
12. Under note 3 PPE it is indicated that 457 assets with a value of R9 892 902 were not found during the inspection.	Provide detail of these assets and indicate the steps that were implemented to find the assets	<p>The assets were marked as not found in the 2024 Fixed Assets Register and audited as such. The second physical verification will be conducted on the assets around May 2025 and if still not found, the detailed report will be submitted to Council for proposed write-off of this assets from the assets register in line with the approved assets management policy. <i>Refer to the list of assets attached to these responses as Annexure A.</i></p>	<ul style="list-style-type: none"> - That the list of assets not found be investigated and that a report be submitted to Council in June 2025.

		The above procedure is agreed upon with the Auditor General during the 2023/2024 statutory audit.	
13. It was indicated that losses at the stores amounts to R5 million	Do we have effective control over stock items? The cameras are not monitored due to network speed, how can this be addressed?	Effective controls are in place and new procedures to enhance the efficiency of the current procedures are effected. Miscount of high value items contributed to the high amount of stores losses. The CCTV cameras at stores are working but are currently not being monitored due to network currently being used; Fibre network is needed to address the network speed issue. It was also agreed that more experienced staff on stock counting would be used for the final stock count to avoid unnecessary miscounts.	- That the CCTV system be upgraded with installation of fibre to ensure monitoring of cameras at the Control room.
14. Note 17 lists the long-term liabilities of R909 965 059 which has decreased slightly from the previous financial year.		The outstanding loans are only redeemable in 30 June 2036, meaning that there is almost 11 years remaining to fully pay-off the loans. The longer the loan term the higher the interest paid by the municipality towards the loans. Financial analysis was made on the loans and noted that on the repayments towards the loans an average of 71% of the loan repayments made, only services the interest portion and hence the slight decrease in the overall loan balances is reported on the statement of financial position.	Noted
15. Notes 19 and 20 deal with long service awards of R37 630 000 and staff leave of R102 708 082.	Indicate the steps that can be implemented to ensure that accumulated staff leave is reduced.	The management has to review the leave policy and ensure that leave days are capped to a reasonable number of days. There must be build-in controls on the leave	- That the leave policy be reviewed so that accumulated and unclaimed leave be forfeited if not taken by the end of the year to avoid leave encashment in the

		management system to ensure that forced leave and leave days forfeiture are initiated and implemented.	event of resignation or death.
16. Consumer deposits amount to R108 108 790.	Do we have sufficient cash to repay deposits? Currently there is a backlog of more than 12 months regarding repayment of deposits and credits on Municipal accounts.	<p>The consumer deposits are refunded when the clearances are issues and the water and electricity accounts closed. The municipality does make provision for refund of deposits as an when the need for the refund arises.</p> <p>The backlog in the payment of deposits are mainly as a result of the following:</p> <ol style="list-style-type: none"> a) Late receipt of the notice of registration of properties from the attorneys. b) Seller not closing their water and/or electricity account. For the deposit to be released the water and electricity accounts must be closed by the owner, so that final reading on water and electricity can be read and processed c) Shortage of staff as the same officials are responsible for the acknowledgement, calculating, sending the clearance figures, issuing Clearance Certificates and doing the refunds. d) Steve Tshwete municipality has grown and new extensions are developing. <p>However, The municipality is implement the following</p>	<ul style="list-style-type: none"> - That the vacant positions dealing with clearance certificates be filled. - That the public and the attorneys be informed of the procedures to be followed to close consumer accounts and how to claim back deposits.

		<p>strategies in addressing the above mentioned delays:</p> <ol style="list-style-type: none"> a) Additional position has been create to assist within the section. b) Overtime is currently been allocated to official in the section to clear the backlog. c) The automated message has been added to the Lexis Nexis system, which the municipality is using for issuing Clearance certificates to inform the seller/s to close their water and electricity accounts as soon as the property registers into the new owner's name. d) Enhance and improve our communication processes with the clients e.g. develop instruction manual that will detail processes to follow by the seller and the buyer once the registration of the property is finalized. 	
<p>17. Water losses of 24, 28% and electricity losses of 14, 47% are recorded.</p>	<p>We can reduce water losses by turning off valves sooner.</p>	<p>High water losses in Eskom Towns have been identified as major contribution factors on the increase on the overall water losses. The turnaround time to attend to the pipe burst in all areas within STLM is one of the strategies water section will implement to reduce the water losses</p>	<ul style="list-style-type: none"> - That the turnaround time on water breakages be improved to meet the service charter standards. - That the fleet available to the water team be prioritized for repairs and allocation of donated vehicles.

			<ul style="list-style-type: none"> - That the faulty bulk meters at complexes be replaced. - That bridged water meters be replaced urgently
18. Contingent liabilities amount to R29 574 296	How can we reduce these claims?	<p>The risk department does conduct regular risk assessment to identify potential liabilities and take proactive measures to mitigate.</p> <p>Regular workshop to our employees to ensure that they adhere to legal and financial regulations to prevent fines and penalties. Municipal drivers be assess on yearly based on driving skills. As some of the claims are as a result of drivers negligence.</p> <p>Improve service delivery to address communities concerns to avoid lawsuits and claims.</p>	<ul style="list-style-type: none"> - Training be provided to staff to reduce claims on unlawful actions - That maintenance regarding storm water drains and potholes be expedited. - Driver evaluation to be done once per annum.
19. Prior-year adjustments not finalized. Some dating back to 2021.	When will the necessary adjustments be done?	<p>All the prior year adjustments were effected on the annual financial statements for the year ended 30 June 2024 and audited.</p> <p>No uncorrected finding relating to the prior year adjustments on the final audited set of financial statements.</p>	Noted
20. Notes 53 and 54 deals with credit risk and the	How will we improve the risk situation?	To address identified risks and strengthen the municipality's financial health, management is	- Noted

<p>Municipality as going concern.</p>		<p>implementing the following strategies:</p> <ol style="list-style-type: none"> 1. Debt Collection Enhancements: Accelerating debt recovery processes to reduce outstanding receivables and improve liquidity. 2. Cost Containment: Introducing stricter expenditure controls to align spending with revenue generation. 3. Cash Flow Optimization: Prioritizing cash preservation and efficient allocation of available resources. 4. Capital Prioritization: Focusing on high-priority capital projects with tangible service delivery outcomes. 5. Alternative Funding Sources: Exploring public-private partnerships and other funding models to reduce dependency on government transfers. 	<p>- That the steps mentioned in the response be implemented.</p>
<p>21. Note 55 Unauthorized expenditure of R95 377136</p>	<p>What steps will be implemented to improve UIF&W?</p>	<p>The management is implementing the UIFW reduction plan. The following are some of the strategies that will be implemented:</p> <ol style="list-style-type: none"> a) Ensure that all expenditures are align with the approved budgets (to avoid unauthorised expenditure) b) Development of an SOP for rotation on panels of service providers to ensure fair allocation of work 	<p>- That the steps mentioned be implemented.</p>

		<p>c) Ensure that the form for allocation of work to service provider is validated by the supply chain manager to make certain that the service provide does has the necessary grading (if the work requires CIDB) and also ensure that the rotation of work is done evenly amongst the service provider on a particular panel. The Municipal Manager must approve the form.</p> <p>d) Conduct a regular audit on the procurement processes</p> <p>e) Strict adherence to MFMA and relevant financial guidelines</p> <p>f) Ensure employees understand procurement rules and financial regulations. This will be achieve through conducting of irregular UIFW awareness, as well as conducting mini workshops with the municipality.</p>	
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Note 62 to the annual financial statements for 2023/2024 deals with Councillor Arrear consumer accounts for more than 90 days. An update must be provided on the reduction of these outstanding amounts.

The Municipal Public Accounts Committee therefore in its work has checked whether the information contained in the Annual Report is a fair and reasonable record of the performance of the municipality and properly

accounts for the actions of the municipality in the financial year reported on.

The MPAC performed its oversight activities in line with its Terms of Reference, its delegations, leading practices, relevant legislation, and National Treasury circulars, specifically Circular 32 and guidelines. MPAC has noted the following overall performance of the municipality:

8.5 THE AUDITOR GENERAL'S OPINION AND RESPONSE TO MANAGEMENT

When conducting the audit, the Auditor General raised various issues with Management by means of requests for information and the requests and responses were included in a Management letter.

In paragraph No. 3 of the Audit Report, the Auditor General stated the following for the basis of the qualified opinion:

“3. Net cash flow from operating activities was not correctly prepared and disclosed as required Standards of GRAP 2, Cash flow statements. This was due to multiple errors in determining cash flows from operating activities....”

As far as the audit of performance information is concerned, the key performance area audited remained unqualified”.

Regarding the Annual performance report the Auditor-General found the following:

- Targets achieved: 92,3%
- Budget spent: 98,6%
- Key service delivery standards not achieved:

Key service indicator not achieved	Planned target	Reported achievement
Number of dwellings (HH) provided with connections to mains electricity by the Municipality	192	133

The Auditor General raised concerns regarding irregular expenditure incurred that was not investigated in order to determine if any person was liable for the expenditure. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure as required by section 32 (2) (b) of the MFMA.

During discussions with the Auditor General, it was pointed out that forensic reports were obtained and that cases were opened with the SAPS and the Hawks. The Municipal Manager also instituted internal disciplinary actions where necessary and some officials were already dismissed. MPAC is awaiting further reports on the outcomes of these investigations and the outcome of disciplinary cases instituted internally.

In response to the findings of the Auditor General as set out in the Management letter, the Council adopted the Audit action plan to address the 47 findings by the Auditor General. This was done through resolution **C16/01/2025. (See Annexure I attached)**. The purpose of the action plan is to address all the matters raised by the Auditor General in his report. Council will monitor this action plan progress on a regular basis.

Further to the Audit action plan, a task group consisting of the Executive Directors as well as the municipal departmental managers was established to implement Operation Clean Audit. (OPCA) This task group meets on a weekly basis to monitor progress with the implementation of the audit action plan as well as bank reconciliations.

Monthly meetings between the Troika, MPAC Chairperson, Auditor General, Audit and Risk Committees, Internal Audit and Finance department is being conducted to monitor progress. One of the resolutions by this body was that the draft Annual Financial Statements must be ready by 30 August 2025.

9. CONCLUSION

The Final Annual Report with the Oversight Report of the Final Annual Report should subsequently be adopted at the next Council sitting which is scheduled for 25 March 2025.

As tasked in terms of the Municipal Council resolution and other applicable legal prescripts, indeed MPAC embarked on an extensive oversight process as reflected above.

Finally, it is indicated that the minutes of the meetings held, and correspondence made are attached as formal record of the proceedings of the oversight process undertaken on the Draft Annual Report of 2023/2024 financial year.

10. RECOMMENDATIONS

After thorough deliberation on the Annual Report with its annexures, MPAC recommends to Council:

- 10.1 That Council takes note of the process followed and adopts the Annual Report for the 2023/2024 and its Oversight Report without reservations.
- 10.2 That Council makes the Oversight Report public in terms of Section 129 (3) of the MFMA.

- 10.3 That the Oversight Report be submitted to the Mpumalanga Legislature and all the other stakeholders in terms of Section 132 of the MFMA.
- 10.4 That the establishment of the Committees as mentioned in the report above to monitor the implementation of the approved Audit action plan be noted.
- 10.5 That the quarterly financial report be amended to include a section to indicate Councillors who are in arrears with their monthly payments of consumer accounts for more than 90 days.
- 10.6 That officials be reminded to act within the prescriptions of legislation to reduce the number of claims against the municipality.



CHAIRPERSON: MPAC
Ald. HENNIE NIEMANN

12 March 2025

DATE