



Steve Tshwete
Local Municipality

OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2022/2023 FINANCIAL YEAR

TABLE OF CONTENTS

1. PURPOSE OF THE REPORT	2
1. MANDATE OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)	3
2. LEGISLATION	4
3. BACKGROUND	4
4. OVERSIGHT PROCESS OVER THE 2022/2023 ANNUAL REPORT	5
5. CONCLUSION	6
6. RECOMMENDATIONS	7

1. PURPOSE OF THE REPORT

This report aims to provide the Municipal Council with detailed recommendations on the adoption of the Final Annual Report for the 2022/2023 Financial Year. The first draft of the Annual Report was tabled to council on the 28th of November 2023 with on the Resolution **C35/11/2023**. This process is in compliance 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 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.
- 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 an overview of the process of financial and non-financial performance in respect of the previous year of each municipal department as depicted below:

Chapter 1

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

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

Chapter 3

- Water/Waste 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

Chapter 4

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

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 V

2. MANDATE OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

- 2.1 The Municipal Public Accounts Committee is a Council Committee established in terms of section 33 and section 79 of the Municipal Structures Act (No. 177 of 1998).
- 2.2 MPAC serves as an Oversight Committee to exercise oversight over the executive obligations of Council. One of the functions of the MPAC is to consider and evaluate the content of the Annual Report and to make recommendations to Council when adopting an Oversight Report on the Annual Report.
- 2.3 The Municipal Public Accounts Committee compiles the Oversight Report as an assurance tool for the Municipal Council, as this is the Section 79 Committee established to assist the council in its processes of accountability.

MEMBERS OF MPAC

- **Ald H F Niemann**
- **Cllr W M M Phetla**
- **Cllr M L Shabangu**
- **Cllr L N Sibanda**
- **Ald J Skosana**

- **Cllr D A Stuurman**
- **Ald A Struwig**
- **Cllr P Malinga**
- **Cllr O A Cossa**
- **Cllr J C Haarhoff**
- **Cllr H Pilodia**

3. LEGISLATION

3.1 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...”

3.2 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...”

4. BACKGROUND

4.1 Council is vested with 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.

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

4.3 The draft Annual Report was submitted to Council on the 28th of November 2023 with on the Resolution **C35/11/2023**.

- 4.4 The draft Annual Report for 2022/2023 was consequently publicized for public comments in the local newspaper (Middelburg Observer), municipal website and municipal libraries from the 8th of December 2023 to 31 December 2023, 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.
- 4.5 The draft Annual Report 2022/2023 was submitted to the Audit Committee and comments received have been incorporated into the report.
- 4.6 The draft Annual Report was reviewed by the Auditor General on the 25th of January 2024 and comments received were incorporated in the report.
- 4.7 The draft Annual Report served at MPAC on the 30th of January 2024.
- 4.8 The draft Annual Report was submitted again to the members of the Audit and Performance Committee on the 7th of March 2024 and the comments received have been incorporated in the report.

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.

5. OVERSIGHT PROCESS OVER THE 2022/2023 ANNUAL REPORT

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

- **THE AUDITOR GENERAL'S OPINION AND RESPONSE TO MANAGEMENT**

Paragraph No. 2 of the Audit Report “ In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor’s report, the financial statements present fairly, in all material respects, the financial position of the Steve Tshwete Local Municipality as of 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognized Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora)”.

Paragraph No. 3 of the Audit Report “I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to a lack of reconciliation between the bank accounts and the accounting records. I was unable to confirm this balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to cash and cash equivalents stated at R96,21 million in note 17 to the financial statements.

Paragraph No. 7 of the Management Report, “The annual financial statements received a qualified audit opinion in the current year. This is a regression when compared to the previous two years. In terms of compliance with laws and regulations the municipality regressed when compared to the previous financial years. As far as the audit of performance information is concerned, the key performance area audited remained unqualified”.

Annual Performance Report

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

- Targets achieved: 73,3%
- Budget spent: 95%
- Key service delivery standards not achieved:
 - Number of new sewer connections planned was 150 but reported achievement was only 111.
 - New roads planned was 7 km. but only 6,23 km was achieved.

Compliance with Legislation

On compliance with legislation the Auditor-General found that:

- “Reasonable steps were not taken to prevent irregular spending of R289,91 disclosed in note 60 to the annual financial statements as required by section 62(1)(d) of the MFMA...”
- “Some construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A). This noncompliance was identified in the procurement processes for project P2000183: HV substation new intake Mhluzi (700)”

6. CONCLUSION

The Final Annual Report 2022/2023 was deferred by Council on the 26th of March 2024. The Final Annual Report with the Oversight Report of the Final Annual Report should subsequently be adopted at the next Council Sitting.

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.

MPAC notes that Section 127 of the MFMA requires that the Draft Annual Report to be adopted by the Municipal council by 20 January 2024. The Final Annual Report, deferred by Council on the 26th of March 2024, together with the Oversight Report of the Final Annual Report must be adopted at the next Council Sitting.

Finally, it is indicated that the minutes of the meetings held, and correspondence made are available and can be availed as formal record of the proceedings of the oversight process undertaken on the Draft Annual Report of 2022/2023 financial year.

7. RECOMMENDATIONS

It is recommended to Council that:

1. Council adopts the Annual Report 2022/2023 and its Oversight Report without reservations.
2. The Oversight Report be made public in terms of Section 129 (3) of the MFMA.
3. The Oversight Report be submitted to the Mpumalanga Legislature and all the other stakeholders in terms of Section 132 of the MFMA.



**CHAIRPERSON: MPAC
CLLR HENNIE NIEMANN**

DATE