

EMAKHAZENI LOCAL MUNICIPALITY



2017/18 OVERSIGHT REPORT

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1. PURPOSE OF REPORT

The main purpose of this report is to recommend to Council the consideration of the 2017/18 Annual Report and to adopt an Oversight Report containing Council's comments on the Annual Report in terms of Section 129 (1) of the Local Government : Municipal Finance Management Act, 2003 (Act no.56 of 2003).

2. BACKGROUND

2.1. Legal Requirements

Section 121 (1), (2) and (3) of the MFMA states that: Every Municipality and every municipal entity must for each financial year prepare an Annual Report in accordance with this Chapter. The Council of a municipality must within nine months after the end of a financial year deal with the Annual Report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

2.2. Municipal Public Accounts Committee

The Municipal Public Accounts Committee is the mechanism through which Council exercises oversight over the management and expenditure of public funds. Council must provide assurance to the public that public monies and assets are being managed properly and that value for money is being rendered by public sector institutions in their spending of public funds. Municipal Public Accounts Committees are established in terms of Section 79 of the Municipal Structures Act to conduct oversight functions.

2.3. Purpose of the Annual Report

The purpose of the Annual Report is: -

- a) To provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;

- b) To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- c) To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

2.4 Annual Report Requirements

The Annual Report of a municipality must include:-

- Chapter 1: Mayor's Foreword and Executive Summary;
- Chapter 2: Governance;
- Chapter 3: Service Delivery Performance;
- Chapter 4: Organisational Development Performance;
- Chapter 5: Financial Performance;
- Chapter 6: Auditor General's Findings;
- Appendices; and AFS

2.5 Submissions and Tabling of the Annual Report

In terms of Section 127 (5) of the MFMA, the Accounting Officer must immediately after the Annual Report is tabled, make public the Annual Report, invite the local community to submit the representations in connection with the Annual Report and submit the Annual Report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

The Draft Annual Report of the municipality for the 2017/18 financial year was tabled to Council at its meeting held on 24th January 2019 in terms of section 127 (2) of the Local Government Municipal Finance Management Act, 2003.

In the minutes of the Council meeting held on the 24th January 2019, Council resolved that:

- The Audited Annual Report: 2017/2018 Emakhazeni Local Municipality is noted.
2. The 2017/2018 Audited Annual Report be made public and the community should be invited to submit representations in accordance with section 21A of the Municipal Systems Act, as required in terms of section 127 (5) (a) of the MFMA.
 3. The 2017/2018 Audited Annual Report be submitted to the Auditor General, Department of Corporative Governance and Traditional Affairs and to the Mpumalanga Provincial Legislature as required in terms of section 127 (5) (b) of the MFMA.
 4. The 2017/2018 Audited Annual Report be considered by the Oversight Committee and an oversight report be tabled before council by no later than two months from the date on which the Annual Report was tabled in Council.
 5. The Audited Annual Report: 2017/2018 Emakhazeni Local Municipality should be submitted to the Municipal Public Accounts Committee.

3 PROCESS FOLLOWED BY MPAC

The MPAC adopted the following approach:

The Committee inspected the municipality's 2017/18 tabled Annual Report and the findings were:

- Compilation of the report was indeed according to legislated requirements and in line with paragraph 2.4 above, except for the issues raised by the Office of Auditor General with regard to assets and performance information reported.
- Management errors and oversights were highlighted, brought to the Accounting Officer's attention, and were also corrected.

Preliminary questions on issues raised by Auditor-General, requesting written response were forwarded to the Accounting Officer and responses were also received. Attached as **Annexure A**; is a copy of the preliminary questions and answers from Accounting Officer.

MPAC invited the Office of Auditor-General for a brief overview on the audit outcome and other findings in respect of the municipality's 2017/18 financial year. The meeting was held on the 07th March 2019.

Public Hearing:

The Committee conducted the public hearing session on the 26th March 2019. Minutes of the Public Hearing are attached as **Annexure B**.

4 OF CONCERN TO MPAC

The Committee noted with concern, the lack of progress in the construction of RDP houses in Siyathuthuka Extension 6 & 8. The Committee had concerns with the fact that Annual Financial Statements submitted to Auditor General had been submitted with challenges and had to be corrected after submission. The Committee views this as a risk which could have led to a negative audit outcome.

There is a need for the Municipal Manager to strengthen and capacitate all the departments/units which do not have adequate personnel in order to try and move towards ensuring that the municipality is in a position to improve in terms of service delivery, quality of reports produced and ultimately improve the audit outcome without reliance on service providers.

The Committee further encouraged the Accounting Officer to ensure that there is proper skills transfer whenever service providers render services for the municipality. MPAC encouraged the Municipal Manager to improve consequence management in order to ensure that employees are held accountable for work that is expected from them.

5 GENERAL COMMENTS ON THE CONTENT OF THE ANNUAL REPORT

- The Accounting Officer has improved the manner in which the Annual Report is packaged and that is seen by the decrease in the number of errors that the Committee identified on the Draft Annual Report compared to previous financial years.
- The Committee applauds the progress that the municipality has made in terms of its performance management which led to the municipality getting a clean audit on its Performance Management System.

6 RECOMMENDATIONS

MPAC resolves that:-

- 6.1 Council having fully considered the 2017/18 financial year's Annual Report of Emakhazeni Local Municipality adopts the Oversight Report.
- 6.2 Council approves the 2017/18 Annual Report without reservations.
- 6.3 Council further requires the Accounting Officer to ensure that concerns raised by MPAC on the report receive full attention.

7 CONCLUSION

The Chairperson and the members of MPAC wish to place on record its appreciation and gratitude to the Office of the Auditor-General for the assistance and support rendered and more especially making available, to the Committee, representatives as and when invited by the Committee.

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MPAC Chairperson