



**OVERSIGHT REPORT ON THE ANNUAL REPORT  
OF THE ELUNDINI MUNICIPALITY FOR THE YEAR  
ENDED 30 JUNE 2019**

## **1. PREAMBLE**

The Elundini Municipality's Municipal Public Accounts Committee (MPAC) has been established in terms of the municipality's Standing Rules and Orders, which also provide the terms of reference for the committee. The primary functions of MPAC have been articulated in the Standing Rules and Orders as follows: -

- a) 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;
- b) In order to assist with the conclusion of matters that have not been finalized, information pertaining to past recommendations made on the annual report must also be reviewed. This relates to quarterly in-year reports, mid-year and annual reports;
- c) To examine financial statements and audit reports of the municipality, and in doing so, the committee must consider improvements from the previous statements and reports and must evaluate the extent to which the Audit Committee's and Auditor General's recommendations have been implemented;
- d) To provide good governance, transparency and accountability on the use of municipal resources;
- e) To recommend and undertake an investigation, after reviewing any investigation report already undertaken by the municipality or Audit Committee; and
- f) To perform any other functions assigned to it through a resolution of Council within its area of responsibility.

The terms of reference further direct that the MPAC shall have permanent referral of documents as they become available relating to:-

- I. In-year reports of the municipality and municipal entities
- II. Annual financial statements of the municipality and municipal entities;

- III. Audit opinion, other reports and recommendations from the Audit Committee;
- IV. Information relating to compliance in terms of sections 128 and 133 of the MFMA;
- V. Information in respect of any disciplinary action taken in terms of the MFMA where it relates to an item that is currently serving or has served before the committee;
- VI. Any other audit report from the municipality or its entity; and
- VII. Performance information of the municipality and municipal entities.

At its meeting held in the Maclear Town Hall on 23 August 2016, the municipal council appointed the following councilors to serve in the Municipal Public Accounts Committee:

- (i) Councilor M Marubelela ( Chairperson)
- (ii) Councilor M Telile
- (iii) Councilor X P Majikijela
- (iv) Councilor L Lubanga
- (v) Councilor K Mahlelebe
- (vi) Councilor Z Thwethiso

Subsequent to the appointment of the above councilors, Council further endorsed the membership of Chief M S Moshoeshoe who is a nominee of the Traditional Leaders serving in council.

In order to minimize the potential for conflict of interest, Council has divested all members of MPAC of any further responsibilities in the committees of Council.

## 2. INTRODUCTION

The Mayor of the Elundini Municipality has, in terms of section 127(2) of the Municipal Financial Management Act 56 of 2003 (MFMA), read with section 58 of the same Act, tabled before a Special Meeting of the Council held on the 30 January 2020, an annual report of the Elundini Municipality for the year ended 30 June 2019. The annual report was prepared in terms of section 121 of the MFMA and section 46 of the Municipal System Act No 32 of 2000 (MSA).

Section 129 of the MFMA requires the Council of a municipality to consider the annual report 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, to adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council:-

- I. Has approved the annual report with or without reservations;
- II. Has rejected the annual report; or
- III. Has referred the annual report back for revision of those components that can be revised.

Following the tabling of the annual report for the year ended 30 June 2019, the MPAC has developed a schedule of meetings for its intense consideration and the development of an oversight report. The meetings were sat as follows: -

<b>Date of Meeting</b>	<b>Members in attendance</b>	<b>Major focus</b>	<b>Special Invitees</b>
12/03/2020	<ul style="list-style-type: none"><li>• Cllr M Marubelela</li><li>• Cllr L Lubanga</li><li>• Cllr Z L Thwethiso</li><li>• Cllr M Telile</li><li>• Cllr X Majikijela</li><li>• Chief M Moshoeshe</li></ul>	<ul style="list-style-type: none"><li>• Annual report</li><li>• Audited AFS</li></ul>	
25/02/2020	<ul style="list-style-type: none"><li>• Cllr M Marubelela</li><li>• Cllr L Lubanga</li></ul>	<ul style="list-style-type: none"><li>• Audited annual financial</li></ul>	Elundini Audit Committee

	<ul style="list-style-type: none"> <li>• Cllr Z L Thwethiso</li> <li>• Cllr X Majikijela</li> <li>• Cllr Telile</li> <li>• Chief M S Moshoeshe</li> </ul>	<ul style="list-style-type: none"> <li>• statements</li> <li>• Audit report</li> <li>• Performance report</li> </ul>	chairman, Mr Thys de Beer CA(SA)
26/02/2020	<ul style="list-style-type: none"> <li>• Clr Marubelela</li> <li>• Cllr L Lubanga</li> <li>• Cllr L Thwethiso</li> <li>• Cllr X Majikijela</li> <li>• Cllr M Telile</li> <li>• Chief M Moshoeshe</li> </ul>	<ul style="list-style-type: none"> <li>• Audited AFS</li> <li>• Audit Report</li> <li>• Performance Report</li> </ul>	
17/03/2020	<ul style="list-style-type: none"> <li>• Cllr Marubelela</li> <li>• Cllr L Lubanga</li> <li>• Cllr L Thwethiso</li> <li>• Cllr X Majikijela</li> <li>• Cllr M Telile</li> </ul>	<ul style="list-style-type: none"> <li>• Audited AFS</li> <li>• Annual Report</li> </ul>	
25/03/2020	<ul style="list-style-type: none"> <li>• Cllr M Marubelela</li> <li>• Cllr X Majikijela</li> <li>• Cllr L Lubanga</li> <li>• Cllr M Telile</li> <li>• Cllr L Thwethiso</li> </ul>	<ul style="list-style-type: none"> <li>• Oversight Report</li> </ul>	

Additional to the special invitees, and as a standard practice, members of the Elundini Municipality's management team were invited to attend meetings, particularly to give technical guidance on some of the matters as they appear in the annual report, as well as to account for those areas as the MPAC deemed it necessary.

#### **A. Components of the annual report**

Section 121 (3) of the MFMA prescribes that the annual report of the Elundini Municipality must include the following:-

- Annual Financial Statements of the municipality as submitted to the Auditor General for audit in terms of section 126 (1);
- The Auditor General's audit report in terms of section 126 (3) on those financial statements;
- The Annual Performance Report of the municipality prepared by the municipality in terms of sections 46 of the MSA;

- The Auditor General’s audit report in terms of section 45 (b) of the MSA;
- An assessment by the municipality’s accounting officer of any arrears on municipal taxes and service charges;
- An assessment by the municipality’s accounting officer of the municipality’s performance against measurable performance objectives referred to in section 17(3)(b) (of the MFMA) for revenue collection from each revenue source and for each vote in the municipality’s approved budget for the relevant financial year;
- Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraph (b) and (d);
- Any explanations that may be necessary to clarify issues in connection with the financial statements;
- Any information as determined by the municipality;
- Any recommendations of the municipality’s audit committee; and
- Any other information as may be prescribed.

The committee found that the Annual report for the year ended 30 June has been prepared in accordance with Section 121(3) of the MFMA

## **B. Analysis of the annual report for the year ended 30 June 2019**

### **2.1. OVERALL INSTITUTIONAL PERFORMANCE**

The committee observed that some targets do not relate to the KPIs. An example is in the Office of the Municipal Manager where the KPA is stated as “**support to SMMEs to participate in a diverse and developing economy**”. The KPI for which performance has been reported is stated as “**number of bursaries awarded**”. These two statements clearly do not relate . The bursaries are not awarded to SMMEs but to individual students. The Municipal Manager was requested to indicate if the indicator is correctly captured. The Municipal Manager indicated that the indicator in the report is as stated in the approved IDP

and SDBIP. The committee will, in future, ensure that it considers the IDP and SDBIP before departments report on performance based on them.

The department of Planning & Economic Development reported a target stated as “**Number of development Projects completed**”. At face value you would believe that this refers to tangible projects that could be seen with a naked eye. The achievement recorded is in fact a development agreement concluded. On investigation, the committee was advised that the SDBIP did not record the actual projects to be implemented towards achieving the development project. The achievement is a step which should have been captured in the SDBIP

## **2.2. ANALYSIS OF THE AFS AND AUDIT REPORT**

The committee invited the chairman of the municipality’s Audit Committee, Mr Thys de Beer, CA (SA), so that he provide an independent, technical assistance to the committee. In prefacing his presentation, he intimated that the annual financial statements ought to be viewed against the backdrop of the municipality’s core mandate, which is the delivery of services to communities. The analysis should therefore entail a critical and analytical review of important account balances and certain classes of transactions. This should also include evaluating the financial health of the municipality, Risks identified in the analysis as well as compliance issues.

.The Irregular expenditure has increased from R50 Million recorded in the previous year to R54 Million this year. This is due partly to the tender awards made where the composition of the Bid Adjudication Committee was regarded as not conforming to regulations by the AG. The expenditure ensuing from the contracts awarded by the BAC where the composition of the BAC, in the view of the AG, not conforming to regulations was previously WRITTEN OF by the council

Debt impairment increased from R15 million last year to R21 Million this year. This is due mainly to the nonpayment of services, mostly electricity.

Non Exchange transactions increased from R6 million last year to R10 million this year.

Material loses, mainly electricity have increased from R4,7 million to R5 million. This is about 24% of the total bulk electricity purchases. It should be noted that management provided the committee with a strategy to deal with this matter. The implementation of the strategy will be monitored by the management and NERSA. MPAC will request quarterly reports on this in future from management

The institution has registered a bank balance of R77 million in the year against R59 million for the previous year.

Rate and Taxes increased from R59 million last year to R77 million this year. This is due to nonpayment of rates.

The collection of traffic fines dropped from R238 thousand last year to R233 thousand this year. The committee requested management to provide explanation as to how fines are paid as this could also be the contributing factor. A Cape Town resident who gets a traffic fine while travelling through our area cannot be expected to drive again all the way from Cape Town to come a pay a traffic fine here. New innovations in line with the present technology should be introduced where possible.

Employee costs have increased from R83 million last year to R98 million this year. This is almost 20% variance and is quite big for the size of the municipality. Management has explained that this is due to vacant positions carried over from previous year and filled during the year as well as the SALGBC increments effected.

There seems to be differences between the recorded number of households receiving the service of refuse removal. There are two figures – one recorded by finance from the billing records and one from Community services from their physical collections of refuse. Community services claim to be collecting refuse from areas not billed by the municipality. This is correct as it is the mandate of the municipality to keep a clean, healthy and safe environment for our citizens. Management need to reconcile the two figures so that the municipality does not loose on revenue collection.

The committee had planned to take the annual report to the communities so as to incorporate their comments when drafting the oversight report. The spread of the corona virus as well as the resultant measures to curb, forced the committee to cancel the planned sessions.

Having considered the annual report of the Elundini Local Municipality for the year ended 30 June 2019, and having considered all responses that have been presented as against the questions raised, advices received, and specific recommendations made, the MPAC makes the following overall recommendations:-

### **3. RECOMMENDATIONS**

The Municipal Public Accounts Committee therefore **RECOMMENDS** that Council **RESOLVES** as follows:-

- a) That Council, having fully considered the Annual Report for the financial year ended on 30 June 2019, **APPROVES** the annual report; and
- b) Council **APPROVES** the Annual report for the year ended 30 June 2019 without reservations.
- c) Council **MANDATES** management to resolve the matter of the information about the number of households receiving refuse removal

### **4. CONCLUSION**

On behalf of the MPAC, I take this opportunity to thank the leadership of the municipality, and the council at large for the support given to the Committee to enable it to discharge its responsibilities.

I am particularly grateful to my colleagues in MPAC as well as Mr de Beer, chairperson of the Audit Committee for their resilience as they continue to assist the municipal council to provide accountable governance to the community of Elundini.

Lastly I thank the management for their assistance when required by the committee to do so

**Thank you.**

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**Councilor M Marubelela**

**Chairman: Municipal Public Accounts Committee**



