



**OVERSIGHT REPORT OF THE MUNICIPAL  
PUBLIC ACCOUNT COMMITTEE (MPAC) ON  
THE  
2018/2019  
ANNUAL REPORT  
MAKHADO MUNICIPALITY**

(Council Resolution A.33.26.03.2020)

*Cllr T Malange  
Office of the Chairperson, MPAC  
12 March 2020*

## 1. STRATEGIC OBJECTIVES

Good governance and Administrative Excellence.

## 2. OBJECTIVES

To submit to Council in terms of Section 129 of the Municipal Finance Management Act, 56 of 2003 (MFMA), the Oversight Report on the Annual Report 2018/19, Makhado Local Municipality.

Section 129 of the MFMA provides for oversight on the annual report. It requires that Council consider the annual report and must within two months from the date on which it was tabled in Council in terms of Section 127, adopt an oversight report.

## 3. BACKGROUND

In terms of Section 121(1) of the MFMA and Section 46 of the Municipal Systems Act, 32 of 2000(MSA), every Municipality must prepare an Annual Report for each financial year. In addition Section 121(1) of the MFMA further stipulates that the council of a municipality must within nine (9) months after the end of the 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. Council is vested with the responsibility to oversee the performance of their respective municipal departments. This oversight responsibility of Council is a process of considering annual reports.

The Annual Report provides the opportunity to report on the financial and non-financial performance of the Municipality. Performance of the Municipality is reported against commitments in the Integrated Development Plan (IDP), Business Plans and other supporting planning documents. The purpose of this annual report is to-

- i. provide a record of the activities of the Municipality.
- ii. provide a report on performance (i.e. service delivery) against budget;
- iii. provide information that supports the revenue and expenditure decisions made; and
- iv. promote accountability to the local community for decisions made.

The Council of the Makhado Municipality has delegated to the Municipal Public Account Committee (MPAC) the responsibility of the oversight role envisaged in Section 129 of the MFMA and Circular number 32 of the MFMA. The ultimate function of MPAC is to **exercise oversight** and to **promote good governance, accountability and transparency** on the use of public funds. This function is thus enabled through the analyses of the Municipality's 2018/19 Annual Report referred to MPAC by Council at its meeting held on 31 January 2020, for oversight and to table an oversight report in Council by 31 March 2020. Moreover, Circular 32 of the MFMA prescribes that the oversight report tabled in Council must include a statement indicating whether the Council has –

- i. approved the annual report, with or without reservation;
- ii. rejected the annual report; or
- iii. referred the annual report back for revision of those components that can be revised.

## 4. OVERSIGHT METHODOLOGY

- a) The 2018/19 consolidated Draft Annual Report was tabled in the Council meeting held on Thursday, 30 January 2020 and referred to MPAC for oversight and scrutiny. An advertisement was published in various local newspapers informing the public and stakeholders to submit comments and inputs on the Draft Annual Report.

- b) Copies of the Draft Annual Report were also posted on the Municipality's website and at all Regional offices. More over MPAC developed a process plan as guideline on how to execute the activities of MPAC when considering the 2018/19 Draft Annual Report.

The Oversight Committee (MPAC) consisting of:

1. Cllr T M Malange (Chairperson)
2. Cllr N V Malivha
3. Cllr M A Mashamba
4. Cllr M D Ndou
5. Cllr M R Makgoadi
6. Cllr R Raliphada
7. Cllr B F Hlongwane
8. Cllr M J Mpashe
9. Cllr M A Selapyana

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## **1. REPORT SUPPORTED BY ALL MEMBERS OF MPAC AS OVERSIGHT COMMITTEE**

The members of the Municipal Public Account Committee (MPAC) resolved that the Annual Report dated 12 March 2020, is a true reflection of the business of Makhado Municipality and the Report of the Municipal Public Account Committee is a true reflection of all deliberations. The report is also submitted before the deadline of **31 March 2020** to Council (in session) for final approval.

Cllr T M Malange (Chairperson)  
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## **2. RECOMMENDATIONS**

THAT the Municipal Public Account Committee of Council recommends the following to Council:

### **2.1 That Council takes note of the following:**

- a. The first draft of the 2018/2019 Annual Report dated 30 January 2020 was assessed by the Municipal Public Account Committee (MPAC) in eight (8) respective meetings including Inspections in Loco. Feedback was given to the Municipality.
- b. The second draft of the 2018/2019 Annual Report dated 12 March 2020 was assessed by the MPAC Committee in a final wrap-up meeting in order to have it ready for submission to Council at its scheduled meeting of 26 March 2020.
- c. The minutes of the eight (8) respective meetings of the Municipal Public Account Committee (MPAC) are also attached hereto.
- d. The comments of the Audit Performance and Audit Committee of Council was taken into account in the oversight processing of the final Annual Report 2018/19
- e. The comments of the Office of the Auditor General, SA was taken into account in the oversight processing of the final Annual Report 2018/19

### **2.2 That Council considers the following findings of the MPAC**

- a. That Council consider requesting the Municipal Management to pay undivided attention to Financial Management and Supply Chain Management as required by legislation, as well as the professional manning of these two functions;
- b. That Council request municipal management to concentrate on less but more important Key Performance Areas;
- c. That Council request Management to ensure that the Integrated Development Plan, the Strategic Objectives, the Key Performance Areas and the Budget are all synchronised;

- d. That the Accounting Officer implements all recommendations which were made when considering the 2018/2019 Annual Report.
- e. That the Accounting Officer implement the Action Plan based on the Auditor General findings
- f. That the Accounting Officer must fill all vacant post as soon as possible

**2.3 The Council is requested to consider and adopt the following:**

The Municipal Public Account Committee (MPAC) Report for the 2018/2019 financial year.

**3. Council Resolution**

**The following Council Resolutions are required**

- 3.1 The Council, having fully considered the 2018/2019 draft Annual Report of the municipality dated 30 January 2020 and representation thereon, adopts the Municipal Public Account Committee's (MPAC's) Report dated 12 March 2020.
- 3.2 Council approves the Final Annual Report 2018/2019 without reservation.
- 3.3 Council requests the Mayor to report to Council at its first following meeting on the actions required and to be instituted as a result of these resolutions.

**4. Process Followed**

**The following is a summary of the process followed**

**4.1** The process by MPAC is in accordance with the *Guidelines for MPACs, August 2011* as compiled under leading of Department of Cooperative Governance and Traditional Affairs and the National Treasury in consultation with various stakeholders in the field of operation and adopted by Council as Terms of Reference for MPAC by Resolution.

**4.2 Documentation considered**

The following documentation was submitted to the Municipal Public Account Committee as source documentation for consideration when assessing the Annual Report -

- a. Draft Annual Report 2018/2019 dated 30 January 2020
- b. Audited Financial Statements 2018/2019, for period ending 30 June 2019
- c. Report from Auditor General
- d. National Treasury MFMA Circular No 11
- e. National Treasury MFMA Circular No 32
- f. National Treasury MFMA Circular No 63
- g. National Treasury MFMA Circular 28
- h. Municipal Finance Management Act (No 56 of 2003)
- i. Municipal System Act (No 32 of 2000)
- j. Supply Chain Management Policy

**4.2.1 Purpose of Report**

- To consider the Annual Report for the 2018/2019 financial year and to adopt an Oversight Report containing Council's comment on the Annual Report in terms of Section 129(1) of the Local Government: Municipal Finance Management Act, No 56 of 2003 (MFMA)

- To provide a record of the achievements of the Municipality during the Financial Year to which the report relates.
- To provide a report on performance against the budget of the Municipality for the Financial Year.
- To promote accountability to be made throughout the year by the Municipality.

#### **4.2.2 Background**

##### **(a) Legal Requirements**

Section 121 (1), (2) and (3) of the MFMA determines as follows 121(1):

- Every Municipality must for each financial year prepare an Annual report.
- The council must with nine (9) months after the end of a financial year deal with the annual report of a municipality in accordance with Section 129.

##### **(b) The annual Report of a Municipality must include**

- The Annual Financial Statements of the Municipality and in addition, if Section 122(2) applies consolidated Annual Financial Statements as submitted to the Auditor General for audit in terms of Section 126(1).
- The Auditor General Audit report in terms of Section 126 (3) on said Financial Year.
- The Annual Performance Report of the Municipality prepared by the Municipality in terms of Section 46 of the Municipal System Act.

The Auditor-General's audit report in terms of section 45(b) of the Municipal system Act (Act 32 of 2000)

- 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 the measurable performance objectives referred to in Section 179(3) (b) for revenue from each source and for each vote in the relevant Financial Year.
- Particulars of any corrective action taken or to be taken in response to issues in the audit reports referred to in (i) and (iv).
- Any information as determined by the Municipality.
- Any recommendations as determined by the municipality and
- Any other information as may be prescribed.

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 and invite the local community to submit representations in connection with the Annual report, and also submit the Annual Report to the Auditor-General, the relevant provincial treasury and provincial department responsible for Local Government in the province.

According to section 129(1) of the MFMA, the Council must consider the Annual report by no later than two (2) months from the date on which the Annual report was tabled; and adopt an oversight report containing the Council's comments on the Annual report which must include a statement whether the Council has -

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

### **4.3 Meetings held**

The Municipal Public Account Committee (MPAC) met eight (8) respective times. They decided to follow the following process:

#### **A. Meeting No 1: 4 February 2020 at MPAC Office, Room C001, Civic Centre, Makhado**

The committee divided themselves into four (4) working groups which consisted of two (2) and three (3) members each. The Department of Corporate Services rendered administrative assistance with arranging for secretarial support. The four (4) respective groups met and discussed their chapters, assisting one another on how to deal with different chapters. The committee then requested for a consecutive three (3) days' session at Palala Game Farm, to deal with the report on a continual basis without disturbance.

#### **B. Meeting No 2: 6 February 2020 Inspection in Loco around Makhado Municipality**

The following projects were visited

- A. Gombita, Tshivhuyuni to Mamphagi
- B. Piesanghoek to Khunda Access Road Phase 3
- C. Valdezia Xitacini to Jiweni Access Road Phase 2
- D. Makhado land fill site Construction
- E. Mudimeli Bridge and Access Road Phase 2
- F. Tshikwarani to Zamkomste Road Phase 3
- G. Electrification of Rathidi Phase 2
- H. Electrification of Madabani Phase 2

#### **C. Meeting No 3: 13 February 2020 at MPAC Office, Room C001, Civic Centre, Makhado**

The MPAC members further scrutinized the Draft Annual Report 2018/19 according to groups.

#### **D. Meeting No 4: 18 February 2019 to 20 February 2020 at Palala Game Farm**

Extensive discussions took place. On Tuesday Mr L S Mofokeng, Chairperson of Risk Committee, delivered a presentation about the role and function of MPAC, Audit findings and the role of Audit Committee in the municipality; Mrs Y Buys from Limpopo Provincial Treasury presented about effective, accountable, transparent, economical and efficient use of public resources. Mr S Khoza from Auditor General of South Africa presented the audit outcome of Makhado Municipality and their findings.

It was then agreed that MPAC would discuss the report with reference to the documents received, the Draft Annual Report 2018/2019 financial year. The meeting proceeded to scrutinise the document and to formulate recommendations. The meeting was strengthened by the presence of Mrs Carine Grove from Auditor General SA, Mr S Khoza and Ms E Kekana from Auditor General of SA, Mr L S Mofokeng Chairperson of Risk Committee of Municipality, Mrs Y Buys from Limpopo

Provincial Treasury, Mr M H Mantjana from Limpopo Legislature, Mrs B D Tsale from Coghsta , Cllr N F Madzhiga the Chairperson of Section 79 Committee Corporate Services, and Cllr P N Musandiwa the Acting Chairperson of Section 79 Committee Finance, who also contributed positively to the work of the Committee.

**E. Meeting No 5: 3 March 2020 at MPAC Office, Room C001, Civic Centre Makhado.**

The Committee met to prepare for the Public Participation scheduled for 5 March 2020.

**F. Meeting No 6: 5 March 2020, Ha-Mutsha Community Hall**

The committee presented the Public Participation where stakeholders and different Departments were invited to. More than 800 stakeholders attended the Public Participation. Separate minutes were recorded of the business of this meeting.

**G. Meeting No 7: 11 March 2020 at MPAC Office, Room C001, Civic Centre Makhado.**

The Committee met to prepare for the Public Hearing scheduled for 12 March 2020.

**H. Meeting No. 8: 12 March 2020, Makhado Showground, Makhado**

The committee presented the Public Hearing where stakeholders and different Departments were invited to. More than 800 stakeholders attended the hearing. Separate minutes were recorded of the business of this meeting.

Copies of the eight (8) meetings held as recorded above is attached to this Oversight Report and forms part of the overall submission to Council.

#### **4.4 Conclusion**

The Municipal Public Account Committee (MPAC) wishes to extend its gratitude to the following parties:

- (i) the Municipality for the support to the Committee during its operations, and for the relevant documentation the Committee received promptly as and when requested;
- (ii) the Municipal Manager for his interventions to enable the Committee to deliver on its mandate.

### **5. CONCLUDING COMMENTS / RESOLVES FROM THE MPAC COMMITTEE ON DRAFT ANNUAL REPORT, 2018/19 FINANCIAL YEAR**

#### **General Comments/ Resolutions**

MPAC requests Council to take note of the following:



1. The Qualified Audit Opinion which the Municipality received for 2018/19 financial year.

MPAC is of the view that the Municipality can achieve a clean audit in the near future, only if various structures in the municipality can work together in addressing issues raised by the AG and if proper plans are in place to enable the municipality to obtain a clean audit.

2. The Audit Committee must play a stronger role in ensuring that the comments by the Auditor General are taken seriously and should monitor those on a quarterly basis
3. The various municipal departments have too many different KPA's; these should be taken one level up so that the Municipality has fewer targets to pursue and on which it can deliver quality work
4. MPAC considered the revised 2018/2019 Annual Report and can recommend that Council approves the Annual Report without reservation
5. Municipal Public Account Committee (MPAC) recommends that the Accounting Officer and Management continuously monitor and use the Audit Action Plan and other management action plans as a guiding tool to improve performance
6. Municipal Public Account Committee (MPAC) recommends that the Accounting Officer and Management must monitor the companies who did not perform on previous jobs rendered, and that they be not appointed in future.

The Accounting Officer must monitor Piesanghoek to Khunda Access Road Phase 3 and Tshikwarani to Zamekomste Road Phase 3.

7. The Mayor and the Executive committee must develop an action plan to address all the issues raised by AG.
8. The Accounting Officer must ensure that all documents are submitted to the AG before or on the 31 August of the financial year.
9. The Accounting Officer must at all times follow the legislation (SCM) before implementing the decision to avoid irregular expenditure.
10. All key posts which are vacant must be filled as soon as possible, especially vacant Director posts.
11. The Chief Financial Officer must prepare documents needed by AG in time to avoid bad audit opinion.
12. The Chief Financial Officer must prepare and submit all UIF to MPAC in time.
13. The Chief Financial Officer must check all documents before submission to Treasury.
14. The Accounting Officer should make sure that all documents which are supposed to be submitted to the Auditor General are submitted in time.

15. The Accounting Officer provide MPAC with a detailed report on the nature and extent of the internal control weaknesses raised in the AG's report and thereafter to report to MPAC on the progress made in strengthening the internal controls by June 2020.
16. MPAC must receive detailed quarterly reports from the Accounting Officer on the progress of the corrective measures taken by management to resolve AG's findings.
17. MPAC is of the view that lack of consequence management to employees who neglect their official responsibilities seems to be one of the contributing factors to the recurrence of the AG's findings. An action plan to address AG's findings is developed every year but recurrence of findings could only mean that the corrective actions are not effective or implementation is not happening.
18. MPAC further notes with concern that material misstatement of assets were identified by the AG in the submitted financial statements and subsequently corrected by management. MPAC urges management to improve compliance with the requirement of section 122 of MFMA in the preparation of the financial statements. MPAC also emphasizes that the municipality must comply with laws and regulations such as MFMA section 62 (1) and 32(2) (A), Supply Chain Management Regulations 36(1) and 19 (a) and the Municipal Systems Act.

## **6. MINUTES OF OVERSIGHT COMMITTEE MEETINGS**

Copies of the Oversight Committee (MPAC) meetings are attached hereto as follows:

1 <sup>st</sup> meeting held on 04 February 2020	Annexure 1
2 <sup>nd</sup> meeting held 06 February 2020 (inspection logo)	Annexure 2
3 <sup>rd</sup> meeting held on 13 February 2020	Annexure 3
4 <sup>th</sup> meeting held on 18-20 February 2020	Annexure 4
5 <sup>th</sup> meeting held on 03 February 2020	Annexure 5
6 <sup>th</sup> meeting held on (Public Participation) on 05 March 2020	Annexure 6
7 <sup>th</sup> meeting held on 11 March 2020	Annexure 7
8 <sup>th</sup> meeting (Public Hearing) on 12 March 2020	Annexure 8

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