



**OVERSIGHT REPORT OF THE MUNICIPAL  
PUBLIC ACCOUNT COMMITTEE (MPAC) ON THE  
2019/2020  
ANNUAL REPORT  
MAKHADO MUNICIPALITY**

*Cllr T Malange  
Office of the Chairperson, MPAC  
25 MAY 2021*

## **1. STRATEGIC OBJECTIVES**

Good Governance and Administrative Excellence

## **2. OBJECTIVE**

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 2019/20 of the 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 Municipal Finance Management Act 56 of 2003 (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 months after the end of a financial year deal with the annual report of the Municipality and of any Municipality 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 municipality. This oversight responsibility of Council is particularly important for the process of considering annual reports.

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

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

The Council of the Makhado Municipality has delegated Municipal Public Accounts 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 2019/20 Annual Report referred to by Council, at the Council meeting held on **29 April 2021** for oversight purposes. Upon receipt of the 2018/19 Annual Report, MPAC had to exercise oversight and table an Oversight Report Council by 31 May 2021. Moreover, Circular 32 of the MFMA prescribes that the Oversight Report tabled in Council must include a statement indicating whether the Council:

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

## 5 OVERSIGHT METHODOLOGY

- a) The 2019/20 consolidated Draft Annual Report of the ~~Makhoala~~ Municipality was tabled in the Council meeting held on Thursday, 29 April 2021 and referred to MPAC for oversight and scrutiny. An advertisement was placed in various newspapers informing the public and stakeholders to submit comments and inputs on the Draft Annual Report.
- b) The copies of the Annual report were also placed on the Municipality's website and at all regional offices. More over MPAC developed a process plan as a guideline on how to execute the activities of MPAC when considering the 2019/20 Draft Annual Report.

The Oversight Committee (MPAC) consisting of:

Cllr T M Malange (Chairperson)

Cllr N V Malivha

Cllr M A Mashamba

Cllr M D Ndou

Cllr M R Makgoadi

Cllr R Raliphada

Cllr B F Hlongwane

Cllr M J Mpashe

Cllr M A Selapyana

\*\*\*\*\*

## **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 May 2021** to Council (in session) for final approval.

Cllr T M Malange (Chairperson)  
Cllr N V Malivha  
Cllr M A Mashamba  
Cllr M D Ndou  
Cllr M R Makgoadi  
Cllr R Raliphada  
Cllr B F Hlongwane  
Cllr M J Mpashe  
Cllr M A Selapyana

## **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 2019/2020 Annual Report dated 28 April 2021 was assessed by the Municipal Public Account Committee (MPAC) in six (6) respective meetings including Inspection in Loco. Feedback was given to the Municipality.
- b. The second draft of the 2019/2020 Annual Report dated 25 May 2021 was assessed by the MPAC Committee in a final wrap-up meeting in order to have it ready for submission to Council at its schedule meeting of 31 May 2021
- c. The minutes of the six (6) 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 2019/20
- e. The comments of the Office of the Auditor General, SA was taken into account in their oversight processing of the final Annual Report 2019/20

### **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 for 2019/2020 as required by legislation as well as the professional manning of these to functions;
- b. That Council request municipal management to concentrate on less but more important KPA's;
- c. That Council request Management to ensure that IDP, Strategic Objectives, KPA's and the budget are all synchronised;
- d. That the Accounting Officer implement all recommendations which were made when considering the 2019/2020 Annual Report.

- e. That the Accounting Officer implement the Action Plan based on the Auditor General findings
- f. That the Council must fill all vacant post of Directors 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 2019/2020 financial year.

### **3. Council Resolution**

#### **The following Council Resolutions are required**

- 3.1 The Council, having fully considered the 2019/2020 draft Annual Report of the municipality dated 28 May 2021 and representation thereon, adopts the Municipal Public Account Committee's (MPAC's) Report dated 25 May 2021.
- 3.2 Council approves the Final Annual Report 2019/2020 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 2019/2020 dated 29 April 2021
- b. Audited Financial Statements 2019/2020, for period ending 30 June 2020
- 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 32 of 2000
- j. Supply Chain Management Policy

##### **4.2.1 Purpose of Report**

- To consider the Annual Report for the 2019/2020 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) i.e. MFMA.
- To provide a record of the achieves 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 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 within 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 those 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 invite the local community to submit representations in connection with the Annual report and 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; 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.
- Has rejected the annual report.
- Has referred the Annual Report back for revision of those components that can be revised.

### 4.3 Process followed:

As can be seen below, the Municipal Public Account Committee (MPAC) met six (6) respective times. They decided to follow the following process:

## 4.4 Meetings held

#### **A. Meeting No 1: 04 May 2021 Inspection in Loco around Makhado Municipality**

The following projects were visited

- A. Gombiti, Tshivhuyuni to Mamphagi road phase 3
- B. Valdezia Xitacini to Jiweni Access Road Phase 2
- C. Waterval Sports Facility phase 2 and 3

#### **B. Meeting No 2: 6 May 2021 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 four (4) days' session at Tshipise Forever Resort, to deal with the report on a continual basis without disturbance.**

#### **A. Meeting No 3: 10 May to 13 May 2021 at Tshipise Forever Resort**

Extensive discussions took place. On Monday, 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, 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 2019/2020 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 Makhado , and Mr B Modiba from GOGHSTA, ,Cllr N D Portfolio head Finance who also contributed positively to the work of the Committee.

#### **B. Meeting No. 4: 19 May 2021, Muduluni Community Hall**

The Mayor Cllr N S Munyai presented the Draft Annual Report 2019/2020 Financial year where stakeholders raised question and responded by the mayor and Executive Committee.. Separate minutes were recorded of the business of this meeting.

#### **C. Meeting No. 5: 25 May 2021 at MPAC Office, Room C001, Civic Centre Makhado.**

The Committee met to prepare for the Public Hearing scheduled for 25 May 2021.

## **D. Meeting No. 6: 25 May 2021, Makhado Showground, Makhado**

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

COPIES of the six (6) meetings held as recorded above is attached to this Oversight Report and forms part of the overall submission to Council.

### **4.5 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 Acting Municipal Manager for his interventions to enable the Committee to deliver on its mandate.

## **5. REPORT FROM THE MPAC COMMITTEE ON THE DRAFT ANNUAL REPORT, 2019/20 FINANCIAL YEAR**

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

MPAC requests Council to take note of the following:

- 5.1.1 the Unqualified Audit Opinion which the Municipality received for 2019/20 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.
- 5.1.2 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
- 5.1.3 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
- 5.1.4 MPAC considered the revised 2019/2020 Annual Report and can recommend that Council approves the Annual Report without reservation
- 5.1.5 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
- 5.1.6 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 implement SCM policy corrective measures.
  - D. That the Accounting Officer must monitor Gombiti, Tshivhuyuni to Mamphagi road phase 3
  - E. That the Accounting Officer must monitor Valdezia Xitacini to Jiweni Access Road Phase 2. That MPAC was not happy about the quality of road and request that



Executive Committee and Section 79 Oversight committee Technical Services visit the road.

- 5.1.7 The Mayor and the Executive committee must develop the action plan to address all the issues by AG.
- 5.1.8 That the Accounting Officer must ensure that all documents are submitted to the AG before or on the 31 August of that financial year.
- 5.1.9 That the Accounting Officer must in all times follow the legislation (SCM) before implementing the decision to avoid Irregular Expenditure.
- 5.1.10 That all key positions posts must be filled as soon as possible especially Director's post.
- 5.1.11 That the Accounting Officer must prepare documents needed by AG in time to avoid bad audit opinion.
- 5.1.12 That the Municipality must write off debts from household which are more than three years.
- 5.1.13 That the Municipality must monitor issue of Electricity loss which incur material losses of R26 933 169
- 5.1.14 That the municipality must come with mechanism to collect revenue from debtors.
- 5.1.15 That the Chief Financial Officer must check all document before submission to Treasure.
- 5.1.16 That the Accounting officer should make sure that all documents which are supposed to be submitted to the Auditor General are submitted in time.
- 5.1.17 That the Accounting Officer must prepare financial statements in accordance with the requirement of section 122(1) of the MFMA.
- 5.1.18 That the Accounting Officer must limit unnecessary Irregular expenditure, Unauthorised expenditure and Fruitless and wasteful expenditure.
- 5.1.19 That the Accounting Officer provide MPAC with a detailed report on the nature and extent of the internal control weaknesses internal control weaknesses raised in the AG's report and the thereafter to report to MPAC on the progress made in strengthening the internal controls by June 2021.
- 5.1.20 That MPAC receive a detailed quarterly report from the Accounting Officer on the progress of the corrective measures to be taken by management to resolve AG's findings.
- 5.1.21 That the committee is of the view that lack of consequence management to employees who neglect their official's responsibilities seems to be one of the contributing factors to the recurrence of the AG's findings. Action plan to address AG's findings are

developed every year but recurrence of findings could only mean that the corrective actions are not effective, or implementation is not happening.

5.1.22 That MPAC must further investigate with management on capital assets which were sold without considering the market value.

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

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

1 <sup>st</sup> meeting held on 4 May 2021 (inspection in loco)	Annexure 1
2 <sup>nd</sup> meeting held 06 May 2021	Annexure 2
3 <sup>rd</sup> meeting held on 10 to 13 May 2021	Annexure 3
4 <sup>th</sup> meeting held on (Public Participation) on 19 May 2021	Annexure 4
5 <sup>th</sup> meeting held on 21 May 2021	Annexure 5
6 <sup>th</sup> meeting (Public Hearing) on 25 May 2021	Annexure 6

\*\*\*\*\*