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**Municipal Public  
Accounts Committee  
Oversight  
Report on Draft Annual  
Report  
2020/2021**

**DATE: 20 JUNE 2022**

**DATE OF MEETING: 13 APRIL 2022 and 20 June 2022**

**MEMBERS OF THE THABO-MOFUTSANYANA DISTRICT MUNICIPALITY PUBLIC ACCOUNTS COMMITTEE:**

CLLR S. CHABELI- Chairperson

CLLR M J MOKOENA

CLLR M J LEBESA

CLLR D DLAMINI

CLLR T MOTAUNG

CLLR M BOHLALE

CLLR MOKOAKOE

**SUPPORT SERVICES:**

MANAGER INTERNAL AUDIT: Mr. W. J. NHLAPO

CHIEF RISK OFFICER: Ms. M. M. MOKOENA/PHOOFOLO

ADMINISTRATOR – Ms. M MOSIA -Secretariat- Committee Minutes

**MANAGEMENT TEAM AND STANDINING INVITEES**

MUNICIPAL MANAGER: Ms. T P M LEBENYA

CHIEF FINANCIAL OFFICER: Ms. N L GQOLI

DIRECTOR CORPORATE SERVICES

DIRECTOR COMMUNITY SERVICES AND LED

MANAGER IDP & PMS – Ms. T VANQA

## **1. PURPOSE OF REPORT**

To consider the Municipality's Draft Annual Report for the 2020/2021 financial year 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) (hereafter indicated as MFMA).

## **2. BACKGROUND**

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

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

Every Municipality must for each financial year prepare an Annual Report. The Council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129 of MFMA.

### **(b) The purpose of an annual report is:-**

- (i) To provide a record of the activities of the municipality during the financial year to which the report relates;
- (ii) To provide a report on performance against the budget of the municipality for the financial year; and
- (iii) To promote accountability to the local community for the decisions made throughout the year by the municipality.

### **(c) The annual report of a municipality includes the following-**

- (i) The audited 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);
- (ii) The Auditor-General audit report in terms of section 126(3) on those financial statements;
- (iii) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- (iv) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, Act 32 of 2000;
- (v) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
- (vi) An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source

and for each vote in the municipality's approved budget for the relevant financial year;

- (vii) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
- (viii) Any explanations that may be necessary to clarify issues in connection with the financial statements;
- (ix) Any information as determined by the municipality;
- (x) Any recommendation as determined by the municipality; and
- (xi) 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 the provincial department responsible for local government in the province.

In terms of section 129(1) of the MFMA, the council must consider the Annual Report by no later than two 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.*
- *The Council has rejected the Annual Report or*
- *The Council has referred the Annual Report back for revision of those components that can be revised.*

### **3. PROCESS**

#### **a) Submission and tabling of the Annual Report**

The Annual Report of the Municipality for the 2020/2021 financial year was tabled at the Ordinary Council Meeting, on the 28 January 2022 in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 56 of 2003.

Council resolved at its meeting held on 28 January 2022.

- 1. That Council takes note of the Draft Annual Report for the 2020/2021 financial year as presented,*
- 2. That the Draft Annual Report be subjected to the Municipal Public Accounts Committee and public comment*
- 3. That the final draft Annual Report and Municipal Public Accounts Committee report be presented to Council within the legislated time frame for adoption.*

## **b) The Municipal Public Accounts Committee**

The Municipal Public Accounts Committee was established in terms of the National Treasury: MFMA Circular Nr 32 and in terms of section 79 of the Municipal Structures Act 17 of 1998 as amended. The purpose is that this Committee amongst others will play an oversight role on analyse and review the Draft Annual Report submitted to Council for adoption. The Committee has met on the 13 April 2022 (postponed from 22 March 2022) and on 20 June 2021 where the contents of annual report 2021/2022 were discussed in detailed and finalisation of oversight report.

The Committee comprises of members from the following political parties, Democratic Alliance, Economic Freedom Fighter, African National Congress, and Dikwankwetla Party of South Africa from all political parties represented in Council. The Chairperson of the Committee is **Cllr S Chabeli** from African National Congress.

In terms of the resolution by Council regarding the advertisement of the Draft Annual report:

- (i) The local community was invited via the press to submit comments /objections received in connection with the Annual Report and no comments or objections were received until the end of closing date. The invitation was also distributed via all local municipality libraries.

## **4. DETAILED PRESENTATION OF CONTENTS OF DRAFT ANNUAL REPORT 2020-2021 AND DISCUSSIONS**

The Municipal Manager requested PMS Coordinator to presented process followed to date and contents of Draft Annual Report 2020/2021 to the Committee, and she indicated that this report tabled before Council on 28 January 2022 in line with legislation.

PMS Coordinator indicated that draft annual report 2020/2021 complied with MFMA requirement, was immediately after tabled before Council advertised for 21 days (Closed 19 February 2022) for public comments on the website and public notices indicating that the draft annual report is in our libraries/Municipal Offices within the district, however there were no inputs or objections from various organization and stakeholders were received.

Municipal Manager indicated that the municipality has improved from Qualified audit opinion to Unqualified audit opinion with matters and the matter of emphasis amongst others related to supply chain processes which could not be followed to the latter. She further indicated that there were improvements from performance results as indicated in the annual performance report of the municipality as compared to previous financial year.

MPAC requested that all supporting documentation of Unauthorized, Irregular, Fruitless and Wasteful expenditure as disclosed in the annual financial statements 2020/2021 and the one identified by Auditor General must be submitted to the MPAC for investigation and recommendation to Council.

The MPAC concern was regarding audit action plan target dates that some of them were already passed however they will wait for progress on action plan that is going to be submitted in the next meeting to see how far issues raised by Auditor General is addressed.

The MPAC is satisfied about the contents of draft annual report 2020/2021 as it complied with section 121 of Municipal Finance Management Act, Act No 56 of 2003 and circular number 32 of Municipal Finance Management Act. The Committee further applauded the municipality for improvements on audit opinion the year under review as compared to previous financial year.

## **5. RECOMMENDATIONS TO COUNCIL ON THE DRAFRT ANNUAL REPORT 2020/2021.**

- 5.1 That the **Oversight report by the Committee** on the draft annual report 2020/2021 should be approved in terms of section 129 (1) of the Local Government Municipal Financial Management Act (MFMA act no 56 of 2003), subject to resolved otherwise where possible.
- 5.2 The Council should approve the draft annual report 2019/2020 **with** reservation in terms of section 129(1)(a) of the Local Government Municipal Financial Management Act (MFMA Act No 56 of 2003), pending final investigations on breakdown of UIF&W to be submitted by management for financial year 2020/2021.
- 5.3 That the 2020/2021 oversight report of Thabo-Mofutsanyana District Municipality should be made public in terms of section 129(3) of the MFMA, after approval.
- 5.4 That the oversight report should be submitted to the provincial legislature within a legislated time-frame in terms of section 132(2) of the MFMA together with Council resolutions.


## **ADDITIONAL RECOMMENDATIONS TO COUNCIL ON THE OPERATIONS OF THE MUNICIPALITY**

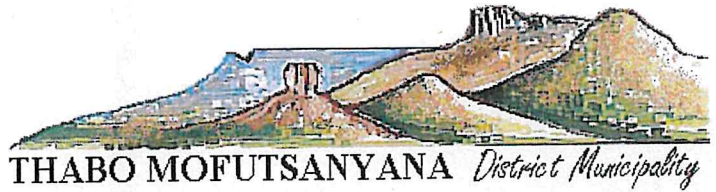
- 5.5 The MPAC recommended to Council to hold management accountable to ensure Supply Chain Management policy is adhered to.
- 5.6 The MPAC recommended that action plan together with its progress to date should be submitted to MPAC to oversee that all matters raised by Auditor General for the year ended 30 June 2021 are addressed where possible intervention be made.
- 5.7 Based on the improvement from disclaimer of audit opinion form previous financial year to qualified audit opinion current financial year, the MPAC recommended to Council that the municipality should establish proper Performance management system that is in line with Chapter 6 of Municipal

Systems Act, Act No 32 of 2000 as amended to avoid future qualifications from Auditor General. The MPAC further recommended that reasons for deviation, evidence and corrective measure must be included where key performance indicators are not achieved or partially achieved on the target date indicated on the approved SDBIP.

- 5.8 The MPAC recommended that Council should hold management accountable to ensure compliance with section 75 of Municipal Finance Management Act, Act No 56 of 2003 to ensure that all legislated information and documents are placed on the municipal website within legislated timeframe.
- 5.9 The MPAC recommended that resolution taken by Council related to draft annual report 2020/2021 at its meeting held on 31 March 2022 should be rescinded as it was incorrectly taken without oversight report from MPAC.
- 5.10 The MPAC recommended to Council through Municipal Manager to appoint additional staff member in the office of MPAC to ensure adherence to requirement of functions of MPAC in terms of Municipal Structures Act as amended.

**Submitted to Council for approval and decision by:**

  
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**CLLR S CHABELI**  
**CHAIRPERSON:**  
**SHARED MUNICIPAL PUBLIC AUDIT COMMITTEE**



**REPORT BY THE CHAIRPERSON OF MUNICIPAL PUBLIC ACCOUNTS  
COMMITTEE FOR SUBMISSION TO COUNCIL**

**OVERSIGHT REPORT ON DRAFT ANNUAL REPORT 2020-2021**

**1. EXECUTIVE SUMMARY**

The purpose of this item is to request the Council to consider Oversight report on draft annual report 2020-2021 in terms of section 129 of Municipal Finance Management Act, Act No 56 of 2003.

**2. BUSINESS PLAN**

Integrated Development Plan

**3. COMPLIANCE WITH STRATEGIC OBJECTIVE**

Delivery of sustainable service in terms of Integrated Development Plan.

Governance

**4. ANNEXURE**

Oversight report on draft annual report 2020-2021

**5. DELEGATED AUTHORITY**

The delegated authority is vested in the Council.

**6. POLICY/STANDARDS/REGULATIONS**

MPAC Terms of reference



**7. LEGAL REQUIREMENTS**

Local Government: Municipal Finance Act, Act 56 of 2003.

Municipal Systems Act 2000, Act No 32 of 2000

Municipal Structures Act, Act No 117 of 1998,

Regulations

**8. FINANCIAL IMPLICATIONS**

The Committee members are remunerated in terms Subsistence and travelling policy and operational cost

**9. STAFF IMPLICATIONS**

MPAC and support staff

**10. RISK IMPLICATIONS**

Lack of oversight role by Committee of Council resulted in non-compliance with legislation (law and regulations)

**11. BACKGROUND AND DISCUSSIONS**

The MPAC convened on 13 April 2022 and 20 June 2022 for oversight purpose on draft annual report 2019-2020.

**(a) Legal Requirements**

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- (vi) An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;
- (vii) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);

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In terms of section 129(1) of the MFMA, the council must consider the Annual Report by no later than two 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;*
- *The Council has rejected the Annual Report or*
- *The Council has referred the Annual Report back for revision of those components that can be revised.*

## 12. **RECOMMENDATIONS TO COUNCIL ON THE DRAFT ANNUAL REPORT 2020/2021.**

- (a) That the **Oversight report by the Committee** on the draft annual report 2020/2021 should be approved in terms of section 129 (1) of the Local Government Municipal Financial Management Act (MFMA act no 56 of 2003), subject to resolved otherwise where possible.
- (b) The Council should approve the draft annual report 2019/2020 **with** reservation in terms of section 129(1)(a) of the Local Government Municipal Financial Management Act (MFMA Act No 56 of 2003), pending final investigations on breakdown of UIF&W to be submitted by management for financial year 2020/2021.

- (c) That the 2020/2021 oversight report of Thabo-Mofutsanyana District Municipality should be made public in terms of section 129(3) of the MFMA, after approval.
- (d) That the oversight report should be submitted to the provincial legislature within a legislated time-frame in terms of section 132(2) of the MFMA together with Council resolutions.

#### **ADDITIONAL RECOMMENDATIONS TO COUNCIL ON THE OPERATIONS OF THE MUNICIPALITY**

- (e) The MPAC recommended to Council to hold management accountable to ensure Supply Chain Management policy is adhered to.
- (f) The MPAC recommended that action plan together with its progress to date should be submitted to MPAC to oversee that all matters raised by Auditor General for the year ended 30 June 2021 are addressed where possible intervention be made.
- (g) Based on the improvement from disclaimer of audit opinion from previous financial year to qualified audit opinion current financial year, the MPAC recommended to Council that the municipality should establish proper Performance management system that is in line with Chapter 6 of Municipal Systems Act, Act No 32 of 2000 as amended to avoid future qualifications from Auditor General. The MPAC further recommended that reasons for deviation, evidence and corrective measure must be included where key performance indicators are not achieved or partially achieved on the target date indicated on the approved SDBIP.
- (h) The MPAC recommended that Council should hold management accountable to ensure compliance with section 75 of Municipal Finance Management Act, Act No 56 of 2003 to ensure that all legislated information and documents are placed on the municipal website within legislated timeframe.
- (i) The MPAC recommended that resolution taken by Council related to draft annual report 2020/2021 at its meeting held on 31 March 2022 should be rescinded as it was incorrectly taken without oversight report from MPAC.
- (j) The MPAC recommended to Council through Municipal Manager to appoint additional staff member in the office of MPAC to ensure

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adherence to requirement of functions of MPAC in terms of Municipal Structures Act as amended.

*Submitted to Council for approval and decision by:*



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**CLLR S CHABELI  
CHAIRPERSON:  
SHARED MUNICIPAL PUBLIC AUDIT COMMITTEE**