



The home of harmony, prosperity and growth

OVERSIGHT REPORT

2021/2022 ANNUAL REPORT

Prepared by:

THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

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OVERSIGHT REPORT REPORTED TO NGWATHE LOCAL MUNICIPALITY COUNCIL ON 30th MARCH 2023

FOREWORD BY CHAIRPERSON OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Madam Speaker, Executive Mayor, Councillors and officials

The presentation of the Oversight report 2021/2022 financial takes place during the period were the country will be celebrating 23 years since the establishment of the current municipalities after the December 2000 local government elections. Furthermore, the Republic of South Africa will be celebrating 29 years of freedom on 27 April 2023.

Madam Speakers it therefore gives me the greatest pleasure to present and submit the 2021/2022 Oversight in the most important historic year, on behalf of the Municipal Public Accounts Committee (MPAC). Let me extend my gratitude to all officials for the great co-operation that they gave to MPAC.

MPAC of Ngwathe Local Municipality is a functional committee that considers matters of good governance and financial oversight is given a high priority in its dealings.

We wish to confirm that the Annual Report of Ngwathe Local Municipality was assessed with due attentiveness and proper coordination, by all MPAC members. The MPAC fulfilled its obligations in terms of the Municipal Structures Act no. 117 of 1998 and the Municipal Finance Management Act no. 56 of 2003 on the subject of oversight exercise. The other role of MPAC is to review the Annual Financial Statements for accuracy and compliance.

It therefore gives me great pleasure Madam Speaker to submit that MPAC came to the conclusion that the Annual Report of 2021/2022 was an honest and detailed reflection of Ngwathe Local Municipality's past year performance and it complied with the legal framework as prescribed in the MFMA.

Let me also take these opportunities to extend a word of gratitude to appreciate the Executive Mayor, Mayoral Committee and Internal Audit for the role they played in the oversight of the Annual Report. A word of appreciation to Municipal Manager and her team for invaluable support during the public consultation meetings.

In assessing the Annual Report which includes the Annual Financial Statements of 2021/2022, the MPAC paid particular attention to the following areas:

- Financial Performance
- Non-financial Performance
- Legal Requirements
- Mistakes/Errors picked up
- Inputs made by the public

The Ngwathe local municipality MPAC has identified the following priority areas for the forthcoming audit periods, namely,

- Strengthening performance monitoring and evaluation of Key Performance Indicators and ensuring that set targets are achieved.
- Capacitating members of MPAC to continue to play decisive oversight and ensure good governance in the municipality

- Work together with Councillors, Audit Committee and Management to work tirelessly towards achieving a clean audit opinion.
- Lastly ensure that MPAC is fully capacitate with full time staff to execute relevant functions

For transparency purpose and the acknowledgement of all Councillors and interested public members present here today, I therefore table this report.

Signed:

MPAC CHAIRPERSON: Councillor Matjhini Toyi:

1. BACKGROUND

According to the Municipal Finance Management Act and Municipal Systems Act, each municipality and their entities must prepare an annual report for each financial year. The reasons for developing the Annual Report are as follows:

- the provision of a record of the activities of the municipality.
- the provision of a service delivery performance report against the budget.
- the provision of information that supports the revenue and expenditure decisions made; and
- to promote accountability to the local community for decisions reached by the council.

2. THE ANNUAL REPORT

It is a tool that is meant for the Council to reflect on the past year's financial performance. It must also demonstrate effective budget implementation as well as the results of service delivery initiatives for the financial year in question.

The tabling of the Annual report should include four main components of which each has an important function in the promotion of accountability and good governance.

The main components are as follows:

- The annual performance report as required by section 46 of the Municipal Systems Act.
- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's report on the financial statements in terms of section 126(3) of the Municipal Financial Management Act and
- The report of Auditor-General according to section 45(b) of the Municipal Systems Act.

In the annual reporting process of a Municipality, the development of the Oversight Report is the final step. For each Annual Report, the Council is required by section 129 of the Municipal Financial Management Act (MFMA) to consider the Annual Report of the Municipality as well as its entities and to adopt an oversight report, which contains the Council's comments.

The oversight report must have within it a statement detailing whether the Council:

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

The Oversight report is thus clearly distinguished from the Annual report. The Annual Report is submitted to the Council by the Accounting Officer and the Mayor and is part of the process of discharging accountability by the executive and administration for their performance in achieving the goals set by Council. The oversight report is a report of the Municipal Council and follows consideration and consultation on the Annual Report, by the Council itself. Thus, the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

3. MPAC COMPOSITION

The MPAC was appointed by a resolution of the Council of the 15 December 2021, to perform oversight function on behalf of the council and it is constituted as follows:

MPAC	
1. Cllr Matjhini Shadrack Toyi	Chairperson
2. Cllr Leponesa Petrus Sotshiva	
3. Cllr Jerry Mbuyiselo Tyumbu	
4. Cllr Makoena Mirriam Rantsaile	
5. Cllr Thabo Petrus Sothoane	
6. Cllr Makabelo Princilla Moloji	
7. Cllr Arnold Mattheus Schoonwinkel	
8. Cllr Jan Abraham Meyer	

4. FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

As far as the Annual Report is concerned, MPAC is required to perform the following functions,

- Review and analyse the Annual Report.
- Look at and consider written comments received on the Annual Report from the public consultation processes.
- Conduct public hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- Receive and consider views and comments of the Council's Audit Committee on the annual financial statements and the performance report.
- Prepare the Oversight Report, taking into consideration, the views and inputs of the public, representative(s), of the Auditor- General, organs of state, Council's Audit Committee and Councillors.

5. THE PROCESS OF ASSESSMENT OF THE ANNUAL REPORT

The Draft Annual report for 2021/2022 was tabled at the Council meeting held on 31st January 2023, where it was resolved as follows:

- that the Annual Report for 2021/2022 be made public in terms of section 127(2) of the MFMA and that the local community be invited to submit representations in connection therewith;
- that the Draft Annual Report be submitted to the next meeting of the Ngwathe Local Municipal Public Accounts Committee (MPAC) for analysis and review.

In dealing with the tabled Annual Report, the Council is required to adopt an oversight report by not later than two months from date of tabling, which for the 2021/2022 annual report will be end of March 2023.

6. ADVERTISING PROCESS

After the Council meeting of 31st January 2023 and in response to the Council resolution taken at that meeting, the Ngwathe Local Municipality Annual Report for 2021/2022 was made public in terms of section 127(2) of the MFMA and the local community was invited to submit representations in connection therewith.

Official notices advising where the Annual report could be viewed, were placed in the municipal website and the Notice Boards of regional offices. The community were invited to make written submission. The closing date for their inputs and comments was 28th February 2023.

- Copies of the Annual Report were placed in the Municipality website.
- Copies of the report were also forwarded to the following as per the MFMA:
- Auditor General. (See Annexure)
- Provincial Treasury
- Provincial Department of Cooperative Governance and Traditional Affairs.
- A copy was also forwarded to National Treasury in compliance with MFMA Circular 63/2012.

Comments by Councillors: Cllr Selma Kok

This report contains a lot of information and commendable goals. However, we cannot continually report on what we want to do but we should actually put that into practice and not be afraid to use innovative measures to reduce running costs and fruitless expenditure.

- We encourage management to take ownership of risks and the mitigation thereof on a continuous basis.
- There is mention of Sports and Recreation. However, the municipality is not succeeding in the development and maintenance of facilities, swimming pools etc. The real state of these facilities are not mentioned nor does it seem, is the funding accounted for where facilities are not maintained.
- The upkeep of parks and cemeteries raise the same concern as that of sports facilities.
- The museum is mentioned – is money allocated for the upkeep and running of the Museum?
- Mimosa Gardens Resort has huge income potential for the Municipality and the community, yet it is underutilised and will need serious investment – consequence management of bad management is not evident to the public and they cannot understand why this was allowed to happen.
- We have vacant land/investment property that is being illegally occupied.
- We have serious challenges in terms of unlicensed landfill sites, unlicensed water purification and sanitation plants.

Although the Municipality managed to receive a qualified opinion from the Auditor-General, we are very concerned about the financial situation (amongst others) within which the Municipality finds itself.

Up to 30 June 2021 the Municipality incurred a net loss of R61 007 222 for the year, but, up to 30 June 2022 there is a net loss of R211 869 126 (more than three times that of the previous year).

This is very disquieting seen in light of a combined amount of R345 million constituted by irregular, unauthorised, fruitless and wasteful expenditure. Also the apparent lack of accountability or the enforcement of punitive measures or investigations are cause for concern.

The assurances that the Municipal Manager gave during the Urgent, Special Council meeting held on 31 January 2023 regarding the resources, consequence management and the focus on supply chain management and mastering the art of planning and performance gives a certain amount of hope. There is, however, a need for a commitment for improved management across the board with increased controls and accountability. We encourage the Municipal management to focus on the important roles played by the PMU and the SCM departments and that the laws that govern them are adhered to.

Our situation as a Municipality remains dire seen against the background of any business and I dread to think what the consequences may be if we fail completely in our mandate as servants of our communities. NgwatheRA reiterates its position that we will not support unfunded budgets and strongly condemn any irregular, unauthorised, fruitless and wasteful expenditure. We employ the Accounting Officer to put measures in place, and to manage those instruments to prevent a further deterioration in the financial management of the Ngwathe Local Municipality.

The situation may seem undaunting, but once we know where to focus we can as Council and Administration rectify the past errors and provide the service we promised to our communities in a combination with responsibility and accountability.

The Ngwathe Local Municipality adopted a public meetings scheduled starting from the 22 February until 07 March 2023 in the towns making up the municipal jurisdiction.

MEETING SCHEDULE AND ATTENDANCE

The meetings were scheduled as below and attendance to these meetings are also reflected below;

Attendance Statistic of Public Consultations:

DATE	TOWN	ATTENDANCE
22/02/2023 WEDNESDAY	VREDEFORT	STAKEHOLDERS 28
		211
23/02/2023 THURSDAY	PARYS	STAKEHOLDERS 27
		25
01/03/2023 WEDNESDAY	HEILBRON	STAKEHOLDERS 10
		190
02/03/2023 THURSDAY	KOPPIES	STAKEHOLDERS 17
		152
07/03/2023 TUESDAY	EDENVILLE	STAKEHOLDERS 16
		102

7. COMMENTS RECEIVED FROM AND PUBLIC AND STAKEHOLDER CONSULTATION

The following constitute comments received from the stakeholders and community meetings held from the 22-February to 07 March 2023 in response to Section 172 (2) of the MFMA

HEILBRON

- That the municipality should look at the possibilities of building a Multi-Purpose Centre.
- That the municipality should try to stick to implementation time-frame set on Capital Projects.
- That the PPP Advert and any material document on Eufes dam should be made available to the community for transparency purposes.
- That there is generally lack of discipline amongst municipal employees' staff and discipline should be effected especially around working hours and attending to community complaints.
- All efforts should be made to improve the Audit Outcome of Ngwathe as these will send a positive message to investors.
- That the repeated Audit outcome on Plan and Property should be improved and avoided.
- That all efforts should be put in place to rid the municipality of Eskom and Water boards debt.
That the municipality should terminate the contract with CG Cell as the company benefits more than council.
- The municipality should urgently correct its billing system.
- That the community should be provided with flushing toilets and that the bucket system should be eradicated at all costs. The bucket system has been in place since 2001.
- The municipality should fix the bridge between township and town as it floods during the raining season.
- The municipality should cut the middle man who demands 30% and implemented a system which will make sure that projects are implemented successfully without disruptions from middle man.
- That the community should be highly involved in the planning and execution of the municipal budget.
- The municipality should expeditiously clear all dumping sites.
- That the road towards the motor vehicle testing station should be fixed.
- That the three months' contract for appointed security companies is highly disadvantageous to the workers especially on matters of statutory deductions such as unemployment insurance fund.
- That the municipality must urgently resolved the old problem of four double rooms.
- That the Annual Report for 2021/22 should be adopted

KOPPIES

- That the municipality is not playing its role in monitoring companies who are implementing projects, as contractors seem to be cutting corners on some of the projects. That there seems to be no value for money on projects implemented.
- That the sports centre has been left to deteriorate and this has given room to drug users and abusers.
- That the old request of clearing soccer fields and creating more soccer fields seems to falling to deaf ears as the municipality is not heeding the sports people complaining.
- That the Municipality should investigate without fear the unauthorised, Irregular, fruitless and wasteful expenditure for 2021/22 financial year and the outcomes thereof should be made public.
- That the issue of sites allocation should be speeded and water be made available to the communities.
- That the municipality should explain why only 3 million has been spend on a budget allocation of 24 million on such a sensitive matter of water treatment.
- That the municipality should explain why they received a qualification audit but there is slow implementation of capital projects.
- The municipality should come and explain to the community as to why Eskom is owed such a lot of money but residents are buying electricity.
- That an investigation should be undertaken by the municipality as to why and how much they paying for rented water tankers, and other fleet and why no attempt to buy own fleet.
- That the municipality should consider budgeting 1,5 million for each ward for business and enterprise development,
- The swimming pool should be urgently fixed.
- That MPAC should in future visit the projects before convening public meetings.
- That the municipality should enclose the surrounding of the graveyards as many women are been raped in that area.
- That the 2021/22 Annual report should accepted.

VREDEFORT

- That the report in future should indicate when will water be delivered to communities and not that the project is at 60%. It is important that time-frames should be reflected in the report.
- That the municipality should provide short term solution to water challenges and utilisation of boreholes should be checked for quality and whether water from thereof is good for human consumption.
- That there are divisions amongst Municipality employees at Vredefort Unit and this is impacting negatively to service delivery.
- That there is serious Shortage of staff at Vredefort Unit
- That the incomplete projects like Mokwallo Sports Complex should be attended to.
- That there are pavements without storm-waters in Mokwallo.
- That potholes that are filled with sand instead of asphalt.
- That there are ghost and lazy municipal employees who must checked on regular basis.
- The municipality should provide explanation as what happened to surplus money relating to project of sewer network as the projects was allocated 12 million budget but only 8 million was spent.
- We expected a report for the current financial year but the one tabled caters for 2021/2022 Financial year
- The water meter project did not happen within 2021/2022 financial year, why is it included in this report.

- The 12 Million sewer project, 8 million used, now is construction still continuing and when will it end?
- Amnesty: will the payment be expected in cash or will it be allowed in instalments?
- Electricity bridging: It is done mainly by foreign shops.
- Municipality appointed CG Cells to inspect and monitor electricity boxes only to find out that they were the ones bridging boxes in exchange for kick-backs
- The municipality spent a lot of money on CG Cells yet failed to collect revenue through their intervention therefore it is advisable the institution conducts the monitoring and inspection of boxes itself in future, there is no need to appoint a service provider.
- The community is thankful for sites that were allocated at Extension 4 but there are huge stones in our yards that we cannot remove on our own unless you hire fleet to remove them and we can't afford to because Majority of our people are unemployed
- There is a request that water delivery Schedule be made public as this will indicate which days the community should expect the water tanker to come and fill jojo tanks
- That it has been years now since RDP Houses were being built in Mokwallo, but surprisingly RDPs are taken to other towns.
- That the frequent burning of transformers indicates that they are not serviced as supposed to.
- That In the previous Financial Year, the community was promised a project for paving at N1, and as such the community is expecting an answer.
- The current water crisis comes as a surprise because this was never experienced as challenge of water shortages in Mokwallo before, what happened to a contractor that messed up the water reservoir by replacing big pipes he found there with smaller ones?
- Infrastructure development at Extensions 4 and 7, the roads there are in a very bad state and there is a stream that makes it impossible for people to pass through, scholar transports cannot drive in those streets as well.
- It is a known fact that the Department of Human Settlement does not approve the eradication of bucket system but what is the plan to assist these people in the meantime? The request is that the community should be supplied with buckets while waiting for sewer network.
- Can Municipal Officials give the meeting the exact time or period when the water meter project was implemented because we are getting different versions in terms of its inception and completion period.
- The reason behind a consistent report from the Auditor General year in and year out, without improvement is because there are no supporting documents that required by the AG, our Municipality always fails to submit them and the AG report is based mainly on grant received

EDENVILLE

- The community raised availability of residential stands.
- That the contractor installing sewage has left citing payments and dispute with the provincial government
- That it appears that the municipality does not have clear plan on debt collection.
- That the vandalised municipal offices should be revamped.

PARYS

The meeting in Parys focused mainly on water challenges.

8. COMMENTS FROM THE FREE STATE COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

The municipality did not receive any comments

9. FINDINGS OF MPAC

There is a need for Council to:

- To do oversight to all projects been implemented in the municipality to check due diligence and check quality and return on investment.
- Investigate all UIFW for the 2021/22 financial year and findings be made public.
- That MPAC also look at the PPP undertaken or to be undertaken on all strategic municipal assets such as Eufees, Mimosa etc
- That council consider the handing over of sports facilities through a MOU to all Sporting Bodies for up keeping.
- That the municipality should expedite the allocation of sites in and around Ngwathe
- That MPAC re-emphasises the previous year resolution which dictates that the municipality should strive to invite a pool of investors to come and invest in Ngwathe to stimulate economic growth and job creation.

10. RECOMMENDATIONS TO BE ADOPTED BY COUNCIL IN ACCORDANCE WITH SECTION 129(1) OF THE MFMA

- That cognisance be taken of the Oversight Report on the 2021/2022 Annual Report of the Ngwathe Local Municipality;
- That Council, having fully considered the Annual Report referred to above, adopts the Oversight Report;
- That the 2021/2022 Annual Report of the Ngwathe Local Municipality be adopted without reservation;
- That the Oversight Report be made public in accordance with section 129(3) of the Municipal Finance Management Act (Act 56 of 2003);
- That the Oversight report be submitted to the Provincial Legislature in accordance with section 132(2) of the Municipal Finance Management Act (Act 56 of 2003).
- That Council considers and advise on the findings of MPAC that are outlined above.

11. CONCLUSION

The MPAC, having performed the following tasks:

Reviewed and analysed the Annual Report;

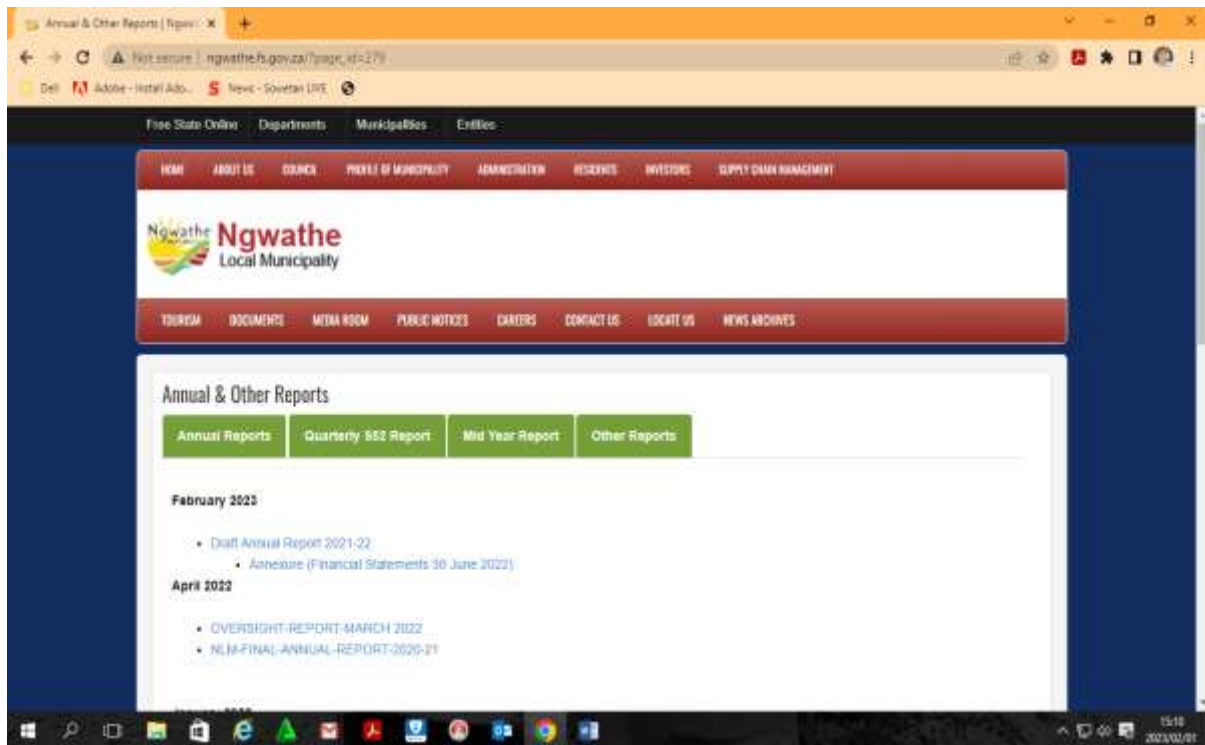
Considered comments and representations received;

Prepared the Oversight Report, taking into consideration, the views and inputs of the stakeholders, public, representatives of the Auditor-General, Organs of State, Council's Internal and External Audit Committee and Councillors;

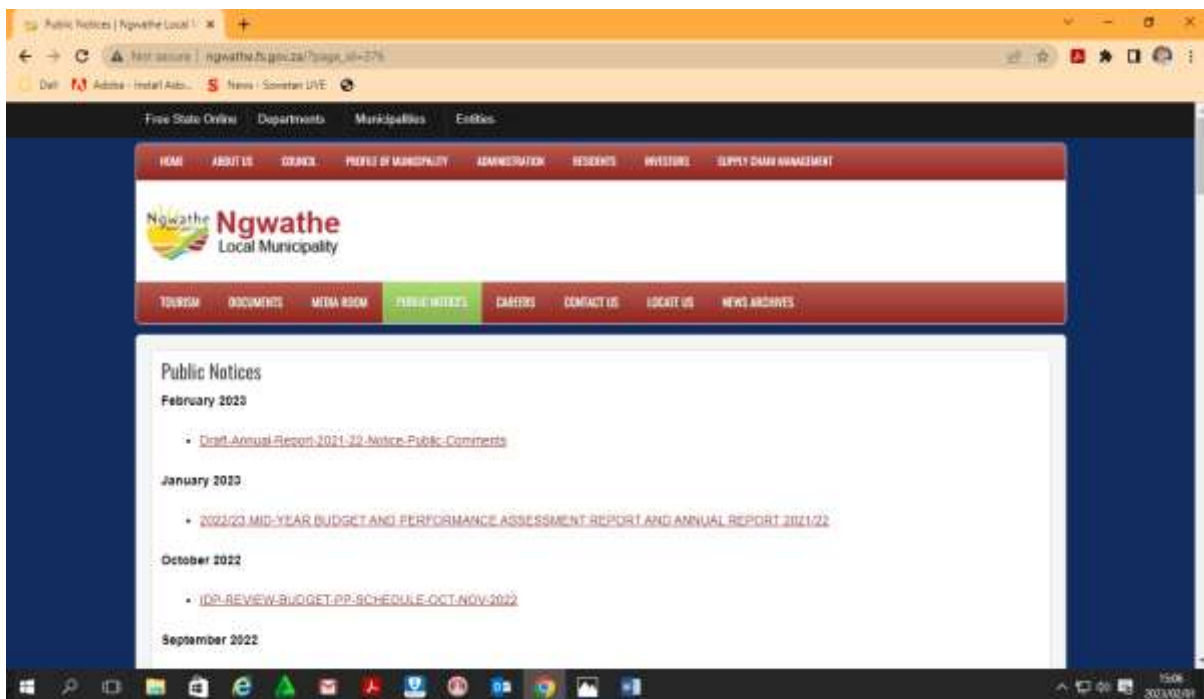
The MPAC has pleasure in presenting the Oversight Report to Council to consider the abovementioned resolutions, which would be forwarded to the relevant Departments and the Provincial Legislature.

ANNEXURES:

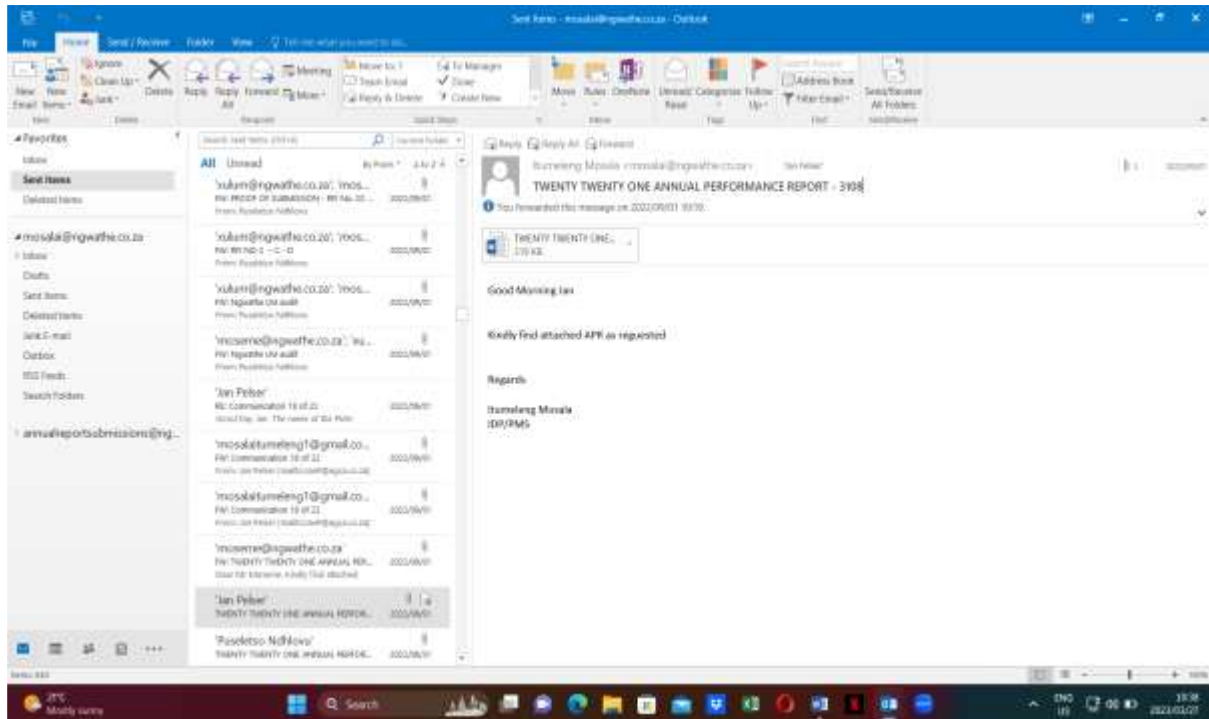
Proof of Publication – Municipal Website on availability of draft Annual Report.



Proof of Publication – Public Comments on Draft Annual Report 2021/22



Proof of Submission of Performance Report to AG – Draft Annual Report 2021/22



Proof of Consultation meetings in all Ngwathe Towns

