



The home of harmony, prosperity and growth

## OVERSIGHT REPORT 2022/23 ANNUAL REPORT

Prepared by:

**THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

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## **OVERSIGHT REPORT REPORTED TO NGWATHE LOCAL MUNICIPALITY COUNCIL ON 28 MARCH 2024**

### **FOREWORD BY CHAIRPERSON OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

Madam Speaker, Executive Mayor, Councillors and officials

The presentation of the Oversight report 2022/2023 financial takes place during the period were the country will be heading for the general elections and after the Statistician General has released census 22 data. This data will come a long way in helping the municipality to correctly frame its developmental trajectory to change the South African landscape.

Madam Speakers it therefore gives me the greatest pleasure to present and submit the 2022/2023 Oversight in the most important historic year, on behalf of the Municipal Public Accounts Committee (MPAC).

MPAC of Ngwathe Local Municipality is a functional committee however, for the period under review, we have noticed the sluggish response for request for reports from the municipal officials.

It is our submission that the stabilization of the municipal administration will create a culture of responsibility taking and accountability. We urge that the appointment of critical senior management at executive level be expedited to help the institution to perform optimally.

Madam Speaker, I 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.

It therefore gives me great pleasure Madam Speaker to submit that MPAC came to the conclusion that the Annual Report of 2022/2023 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. I must emphasize that the municipality performance in all respects such as debt management, revenue enhancement, managing grant funding, performance management, management of our water distribution etc is under par. We need an urgent 360 degrees turnaround plan to stabilize the situation.

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.

In assessing the Annual Report which includes the Annual Financial Statements of 2022/2023, 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,

- The need to strengthening performance monitoring and evaluation of Key Performance Indicators and ensuring that set targets are achieved and to effect consequences management were the need arises.
- Ensure that members of MPAC are capacitated to play decisive oversight and ensure good governance in the municipality
- To consolidate and cement working together between and amongst Councillors, Audit Committee and Management to work tirelessly towards achieving a clean audit opinion. A tripartite Performance pledge and agreement should be signed amongst the three component mentioned, namely Councillors, Audit Committee and Management.
- 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 Andele Abram Jantjie	
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 2022/2023 was tabled at the Council meeting held on 31<sup>st</sup> January 2024, where it was resolved as follows:

- that the Annual Report for 2022/2023 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 2022/2023 annual report will be end of March 2023.

## 6. ADVERTISING PROCESS

After the Council meeting of 31<sup>st</sup> January 2024 and in response to the Council resolution taken at that meeting, the Ngwathe Local Municipality Annual Report for 2022/2023 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 28<sup>th</sup> 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.

The Ngwathe Local Municipality adopted a public meetings scheduled starting from the 27<sup>th</sup> February until 06 March 2024 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:

<b>DATE</b>	<b>TOWN</b>	<b>ATTENDANCE</b>
27/02/2024 TUESDAY	<b>VREDEFORT</b>	STAKEHOLDERS <b>23</b>
		<b>54</b>
28/02/2024 WEDNESDAY	<b>PARYS</b>	STAKEHOLDERS <b>25</b>
		<b>33</b>
29/02/2024 THURSDAY	<b>KOPPIES</b>	STAKEHOLDERS <b>0</b>

		<b>108</b>
05/03/2024 TUESDAY	<b>HEILBRON</b>	STAKEHOLDERS <b>0</b>
		<b>69</b>
06/03/2024 WEDNESDAY	<b>EDENVILLE</b>	STAKEHOLDERS <b>9</b>
		<b>56</b>

**COMMENTS RECEIVED FROM AND PUBLIC AND STAKEHOLDER CONSULTATION**

The following constitute comments received from the stakeholders and community meetings held from the 27<sup>th</sup> -February to 06 March 2024 in response to Section 172 (2) of the MFMA

**VREDEFORT/MOKWALLO**

The municipality should speedily appoint the contractor the 2 km road and community of Vredefort should be prioritised for employment

All steps should be taken by the municipality to avoid UIFW and those responsible and there must be consequence management.

The challenges at the waste water treatment plant for the past two years should be attended to speedily.

The incomplete work by the contractor who has been paid full amount should be investigated and those who authorise payments without proper monitoring of the project, should be held accountable

The municipality should create a conducive environment for economic growth of Vredefort through the establishment of well researched economic hubs.

There must be a preventative maintenance plan rather than reactive one developed to help in the avoidance UIFW.

The municipality must buy its own yellow fleet to help in the reduction of UIFW as the municipality pays huge exorbitant amounts of money to service providers

Serious efforts should be put in place to create opportunities to reduce unemployment as this will help in the payment of municipal rates and taxes.

The municipality must ensure that the register of UIFW is developed for the past three years and such each one must be investigated and officials who contributed to the UIFW should be held accountable

**PARYS/TUMAHOLE**

The community raised a concern on the huge water debt the municipality owes to third parties and yet communities do not get water in their taps.

All officials without exception who contributed to the UIFW must be held accountable and action must be taken.

The Audit Action plans should be monitored every month so as to avoid repeated findings.

The problem of the consultant at the water plant should be resolved as a matter of urgency so as to ensure sustainable delivery of waster to the community.

### **KOPPIES/KWAKWATSI**

The community request the report on the outcome of the investigation on the Kwakwatsi Sports ground.

That the PMU should investigate the amount paid of 9 million visa vis the quality of the project and the reported different figures on the project.

The municipality should consider extraction of water from the dam rather than utilising service providers on this aspect.

The municipality must provide a comprehensive response on why different tariffs for both winter and summer.

The long outstanding matter of the fire truck must be resolved amicable.

The substation project in Kwakwatsi needs to sorted urgently.

All officials without exception who contributed to the UIFW must be held accountable and action must be taken.

### **HEILBRON/PHIRITONA**

Regarding Phiritona and Sandesville projects, PMU should do the assessment of contractors to be appointed so as to avoid same mistake when the projects starts from scratch.

The investigation report should be provided in relation to a child who died due to alleged negligence of the contractor.

There must be serious turnaround plan on correcting and avoiding UIFW and responsible officials must be held accountable and action must be taken as future deterrence.

The community was highly disappointed by the absence of senior managers as their questions could not be answered. The municipality must strongly reprimand senior managers on the need to attend MPAC public meetings

### **EDENVILLE/NGWATHE**

The municipality must urgently appoint a new contractor to complete the Koppies-Edenville water pipe line.

The municipality must buy its own yellow fleet so as to save money but also reduce the UIFW.

The municipality should opt for insourcing of services rather than outsourcing

### **COMMENTS FROM THE FREE STATE COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

The municipality did not receive any comments



## **FINDINGS OF MPAC**

There is a need for Council:

- To do oversight on all projects implemented in the municipality to check quality and return on investment.
- To investigate all UIFW for the 2022/23 financial year and its findings be made public.
- That MPAC re-emphasises the previous year's resolution which dictates that the municipality should strive to do those things (such as implementing its recovery plan) that might attract investors to come and invest in Ngwathe to stimulate economic growth and job creation.

## **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 2022/2023 Annual Report of the Ngwathe Local Municipality;
- That Council, having fully considered the Annual Report referred to above, adopts the Oversight Report;
- That the 2022/2023 Annual Report of the Ngwathe Local Municipality be adopted with reservation, reason being that audit action plan is not attached to the report.
- 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.

## **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: