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MARULENG MUNICIPALITY

OVERSIGHT REPORT 2020/21 MPAC

30 MARCH 2022

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ABBREVIATIONS

AFS	-	Annual Financial Statements
AG	-	Auditor General
APR	-	Annual Performance Report
AR	-	Annual Report
BTO	-	Budget and Treasury Office
COGHSTA	-	Cooperate Governance Human Settlement and Traditional Affairs
CLLR	-	Councillor
EXCO	-	Executive Committee
MLM	-	Maruleng Local Municipality
IDP	-	Integrated Development Plan
INEG	-	Integrated National Electrification Grant
MFMA	-	Municipal Finance Management Act
MIG	-	Municipal Infrastructure Grant
MPAC	-	Municipal Public Accounts Committee
MSA	-	Municipal Systems Act
MSA	-	Municipal Structures Act
OR	-	Oversight Report
PMS	-	Performance Management System
SDBIP	-	Service Delivery Budget and Implementation Plan
UIFWE	-	Unauthorised, Irregular, Fruitless and Wasteful Expenditure

1. INTRODUCTION

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.

The purpose of an annual report is:

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

According to 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;
- Has rejected the annual report or;
- Has referred the annual report back for revision of those components that can be revised.

2. BACKGROUND

Resolutions and statement required by MFMA section 129 (1)

To consider the Maruleng Municipality's Annual report for the 2020/21 financial year and to adopt an Oversight Report containing Council's comments on the Annual report in terms of section 129 of Local Government: Municipal Finance Management Act, 2003 (Act NO 56 of 2003) (hereafter indicated as MFMA).

3. FUNCTIONS OF MPAC

MPAC is tasked with the review of the annual report and all inputs received in responses to the advertising process and the preparation of an Oversight Report for consideration by the Council.

4. REVIEW OF THE ANNUAL REPORT

4.1 SUBMISSION AND TABLING OF THE DRAFT ANNUAL REPORT

4.1.1 The Draft Annual Report of the Maruleng Municipality for the 2020/21 financial year was tabled at a Scheduled Council meeting, on 24th of January 2022, in terms of section 127(2) of the Local Government: Municipal Finance Management Act 56 of 2003.

4.1.2 Council resolved (through council resolution SC02/01/2022) at its meetings held on 24th January 2022 on the following:

- 1) That the tabling of the Draft Annual Report be adopted; and
- 2) That the Municipal Manager in terms of section 127 (5) of the MFMA:
 - a) Make public the Draft Annual Report for 2020/21 financial year;
 - b) Invites the local community and to submit representations in connection with the Annual Report on or before 22 March 2022;
 - c) Submit the Draft Annual Report to the Auditor-General, the Provincial Treasury and the Provincial Department responsible for Local Government;
- 3) That the Draft Annual Report be referred to MPAC for oversight.

5. CIRCULATION OF THE DRAFT ANNUAL REPORT

5.1 The Draft Annual Report was advertised as follows:

- The local community was invited via the Letaba Herald , facebook and website of the Maruleng Municipality to submit comments / objectives in connection with the Report on or before 22 March 2022.
- The Annual Report was placed on the municipal website at www.maruleng.gov.za
- The Annual Report was submitted to all relevant government departments.

5.2 At the closing date for public comments on the 22 March 2022, no comments / representation was received .

6. CONSULTATION BY MPAC

6.1 Meeting Schedule

- MPAC had a working session on the Annual report from 24- 25 February 2022.
- In the session, internal audit and risk management were present for support
- MPAC prepared questions and submitted to Management.
- Management responded to MPAC questions.

6.2 The National Treasury's MFMA Circular No 32 further provides for certain provisions regarding the compilation of the Oversight Report. These provisions cover the following areas:

- Managing the process and forming committees
- Timing considerations
- Understanding the Annual Report and determining conclusions

7. PUBLIC HEARING

The public notice of the public hearing was advertised in Letaba Herald and distributed around the jurisdiction of Maruleng Municipality. The public hearing on the 2020/21 Draft Annual report was held on the 22 March 2022 where the public were invited to attend as observers, where the Accounting Officer through the Mayor had to respond and clarifying the committee on issues raised and questions pertaining to the draft annual report. The Office of the Auditor General, COGHSTA, Provincial Treasury, SALGA, district /local municipalities and all the stakeholders were invited to attend the Public Hearing (Section 130 of the MFMA).

8. MPAC PROJECT VISITS

8.1 MPAC conducted project visit on the 17th of March 2022 to verify and confirm the completeness, the visit also measured the projects impact to the community, and all findings on project visit are documented. The following projects were visited namely Ga-Fanie access road, Butswana access road, Santeng paving and Willows access road.

9. ANNUAL REPORT CHECKLIST

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COMMENTS
<p>1. Financial matters – Annual Financial Statements – section 121 (3) MFMA</p>	
<p>Section 121 (3) (a) MFMA (a) The Annual financial statements (AFS) of the municipality, and in addition, if section 122(2) applies the consolidated annual financial statements as submitted to the Auditor General;</p>	<p>The Annual Financial Statements of the municipality are included and signed by the Municipal Manager.</p> <p>The municipality does not have an entity.</p>
<p>(b) The Auditor General's audit report is included in the annual report in terms of section 126(3);</p>	<p>The Auditor General's report is included in the annual report and signed by the Auditor General on the 30 November 2021.</p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COMMENTS
(c) An assessment by the Accounting Officer on any arrears on municipal taxes and service charges ; (section 121 (3)(e))	The municipality has appointed a debt collector , and anticipated to also use SMS method as a reminder to client for payment of services. The municipality has a credit control and debt policy in place.
(d) Particulars of any corrective action taken or to be taken in responses to issues raised in the audit reports referred to in paragraphs (b)and (d) Council should also confirm that the audit report has been forwarded to the MEC	The municipality obtained unqualified audit with management issues. Audit Action plan has been developed to address issues raised in the audit report. The Audit Report was submitted to COGHSTA, Auditor General and Provincial Treasury during January 2022.
(e) An assessment on asset management, as required by section 63(2)(a) of the MFMA	The municipality is using fixed assets register which are monitored on a monthly basis.
(f) Audit report on leadership.	Management did not provide adequate supervision and review over the operations of the municipality to ensure compliance with laws and regulations.
(g) Section 121 (3) (j) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality	Audit Committee made recommendations to the municipality, however not all recommendations were implemented by the end of the financial year.
2. Disclosures – Allocations received and made – Section 123 - 125 MFMA	
(a) 123 (1) (a) Allocations received and made to the municipality.	It should be noted that the municipality's functionality depends largely on grants; ((EPWP) Expanded Public Works Programme, (FMG) Finance Management Grant, MIG Municipal Infrastructure Grant , (DMRG)Disaster Management Relief Grant)

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COMMENTS
(b) Information in relation to the use of allocations received;	The municipality has spent 100 percent of its MIG allocation and received an additional R20m as an acknowledgement for its expenditure on MIG and conditions of the MIG were met.
(c) Information in relation to outstanding debtors and creditors of the municipality;	<p>The municipality has material impairment due to trade debtors. It should be noted that the municipality has appointed a debt collector to improve the municipality's revenue collection.</p> <p>The municipality has incurred R52 330 301 due to irregular expenditure due to none compliance with Supply Chain Management processes and regulations.</p>
3. Disclosures in notes to AFS	
(a) Information relating to benefits paid by municipality and entity to Councillors, directors, and officials	It should be noted that the information has been properly disclosed and explanations provided are acceptable and conditions of allocations have been met and they are fully detailed on the AFS;
4. Municipal Performance	
(a) Information on the annual performance reports of the municipality;	The performance report has been included in the annual report.
(b) Audit reports on performance (section 45, MSA);	The municipality received unqualified audit opinion on performance.
5. General information	
(a) Information on long term contracts	Long term Contract are for As and When Consultants, which remain in a pool for a period of 3 years
(b) Capital plan for addressing infrastructure backlogs	Every financial year we have own funding to address backlogs on roads projects and community hall Other are implemented through MIG
(c) Information Technology and systems purchases and the	Information and Communication Technology ensure provision of services

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COMMENTS
effectiveness of these systems in the delivery of services and ensuring compliance with statutory obligations	<p>such as Network connectivity, information management, Email messaging for communicating with the internal stakeholders and the outside world, enhancing service delivery by providing reliable systems.</p> <p>For period under review 2019/20, Information and Communication Technology provided and supplied ICT equipment's e.g. computers, printers, 3Gs and Memory Sticks. The Unit also updated the municipal website on a continuous basis and maintained network infrastructure for ease of communication as well as provided the means of coordinating virtual meetings through Microsoft Teams. The Unit provided IT systems, user maintenance and support.</p>
6. Other considerations recommended	
(a) Timing of reports	The annual report was tabled in council on the 24 January 2022 council resolution SC02/01/2022
(b) Oversight committee or other mechanism	The Municipal Public Accounts Committee was delegated the responsibility of preparing the oversight report.
(b) Payment of performance bonuses to municipal officials (section 57 MSA)	Performance bonuses were paid to directors.
(c) Public consultative meetings	Public hearing on the draft annual report was conducted on the 22 nd March 2022 at The Oaks Community Hall
(d) Annual Report distribution points documented and feedback documented	The Annual Report was placed for inspection at municipal website and copies were circulated to all Councillors.

10. MPAC OBSERVATIONS

- a) Maruleng Municipality obtained unqualified audit opinion for 2020/21 and was able to maintain the audit opinion for five consecutive years .
- b) On annual performance the municipality for the year under review was at 69% as compared to the 64.8% for 2019/20 financial year which shows slight institutional performance has improved in the year under review.
- c) That the Annual Financial Statements have prior matters which must be dealt with.
- d) The municipality had incurred UIFWE and that reasonable steps were not taken to prevent the occurrence of UIFWE.
- e) That the impairments on trade debtors was incurred as a result of irrecoverable receivables from exchange transactions received from non exchange transactions and other receivables respectively.
- f) That there is a difference on the number of residents to receive free basic electricity and the Eskom beneficiary list.
- g) That there was a delay in the appointment of service providers since this has a negative impact on service delivery projects.
- h) Though management has managed to implement 93% of the Internal Audit recommendations however management did not fully implement risk management mitigations.

9. MPAC RECOMMENDATIONS

- a) MPAC is satisfied with the unqualified audit opinion however management should work towards attaining clean audit opinion .
- b) The municipality should ensure that long overdue litigations or cases are settled and if possible some of the cases is settled out of court.
- c) Management to ensure that prior error matters should be resolved before audit comes , files should be prepared and reviewed and that management complies with GRAP standards when preparing AFS.
- d) Management to ensure that reasonable steps is taken to prevent the occurrence of UIFWE
- e) Management to provide MPAC with the detailed register of UIFWE in order for the committee to investigate
- f) Management to ensure that credit control and debt control policy is fully implemented and that awareness be made to community to encourage payment of municipal taxes and rates .
- g) The municipality must engage with Eskom with regard Free basic electricity.
- h) Management to ensure that targets on the SDBIP are SMART and that targets achieved be supported by portfolio of evidence.

- i) Management must fastrack the appointment of service providers since this has a negative impact on service delivery projects.
- j) Management should ensure the full implementation of risk management

10. CONCLUSION


The MPAC commends Council, the Municipal Manager, Senior Management and all staff of the Maruleng Municipality on maintaining the unqualified audit opinion and good governance. However, there is great room for improvement with regard to: improvement of key controls to ensure effective financial management, contract and procurement management, compliance management. Improvement of internal controls to ensure that issues raised by both internal and external auditors are addressed effectively.

Having performed the following tasks:

- Reviewed and analysed the 2020/21 Draft Annual Report;
- Invited, received and considered inputs from the management and council committees, on the Annual Report;
- Received and considered Council's audit committee views and comments on the annual financial statements and the performance report and
- Prepared the Oversight Report, taking into consideration, the views and inputs of the public representatives of the Auditor General, organs of state, council's Audit Committee and Councillors

COMMITTEE RECOMMENDS, Council to:

- **Approve** the oversight report with recommendations;
- That the Annual Report 2020/21 be **adopted** without reservation;
- That the 2020/21 Oversight Report of the Maruleng Municipality be made public in terms of section 129(3) of the MFMA, and;
- That the Oversight Report and Annual Report 2020/21 be submitted to Provincial Legislature in terms of section 132(2) of the MFMA.



CLLR RAGANYA S.B
MPAC CHAIRPERSON

30/03/2022

DATE