



## **BIG 5 HLABISA MUNICIPALITY (KZ 276)**

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### **OVERSIGHT REPORT ON 2017/18 ANNUAL REPORT**

#### **FOREWORD BY THE CHAIRPERSON**

I am pleased to present the oversight report of the Municipal Public Accounts Committee (MPAC) in this Council on the 2017/18 Annual Report of the Big 5 Hlabisa Municipality. The MPAC has executed its primary mandate of ensuring good governance, transparency and accountability and will continue to enhance performance monitoring mechanisms that will guarantee that quality service delivery is rendered to the community.

I wish to acknowledge, MPAC members, Auditor General, the executive and legislative arms of Council, MPAC support staff, and the administration for their consolidated efforts which are essential in order to ensure that radical socio-economic transformation is realised through the constant pursuit of good governance, sensible financial management and accountability.

As the third sphere of government, our municipality, remains committed to implementing the local government objectives and developmental duty enshrined in sections 152 and 153 of the Constitution of the Republic of South Africa respectively. The Council has grown from strength to strength in its capacity to play an oversight role over the municipality achievement of set targets and objective against approved budgets through its Municipal Public Accounts Committee. Council also bears the responsibility of ensuring the responsible use of resources and to minimize instances of any financial misconduct that may arise in terms of the Municipal Finance Management Act.

Year under review, the Big 5 Hlabisa municipality has improved the quality of life of many residents through an increased number of beneficiaries of basic services and job creation through EPWP projects.

I thank you

## **Introduction**

Section 129 of the MFMA requires the Municipal Council to consider the Annual Report of its municipality and municipal entities and to adopt an Oversight Report containing the Municipal Council's comments on each Annual Report.

The Oversight report is a report of the Municipal Council and follows consideration and consultation on the Annual Report by the Council itself.

The purpose of the Annual Report is:

- to provide a record of the activities of the municipality or entity;
- to provide a report on performance in service delivery and 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 Council is vested with the responsibility to oversee the performance of the municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA).

## **2. The Municipal Public Accounts Committee (MPAC)**

Big 5 Hlabisa Municipal Council has delegated the responsibility of the Oversight Report on the Annual Report to MPAC in terms of Council resolution dated January 2018 and MPAC is responsible to:

- To consider and evaluate the Annual Report as tabled to Council, and thereafter make recommendations to Council in this regard.
- To compile an Oversight Report and table it in Council no later than 60 days from the date of which the Annual Report was tabled, in terms of Section 129 of the MFMA.

The Municipal Public Accounts Committee therefore in its work should check whether the information contained in the Annual Report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon.

### **MPAC consists of the following members:**

Cllr H.S Ndlovu (Chairperson)

Cllr BL Mafuleka

Cllr FZ Nkwanyana

Cllr MO Ntombela

Cllr TM Khumalo

Cllr DM Mngomezulu

Cllr TN Ngema

## **3. 2017/2018 Annual Report Consultation Process**

The community was advised through Public Notices in the printed media in February 2019 of the availability of the Annual Report and was invited to submit representations/comments on the report and to attend meetings of MPAC to submit verbal representations.

On 31 January 2019, the Annual Report was also available at all municipal libraries, traditional councils and offices and was also placed on the Big 5 Hlabisa Municipality web site. The Annual Report was further submitted to the Auditor General, Provincial Treasury and the Provincial Department of Local Government as required by legislation.

At the closing date for public submissions on Thursday, 28 February 2019, no submissions were received by MPAC. MPAC considered the comments on the 2017/18 Annual Report by Cogta, which were received a few days after the date of submission.

#### **4. Summary of Comments on the 2017/2018 Annual Report**

##### **4.1 Chapter 1**

###### **4.1.1 Mayor's Foreword**

The Mayor's foreword includes the information required in terms of Circular 63 of September 2012. See the comments from Provincial Treasury in this regard.

###### **4.1.2 Municipal Manager Overview**

The Municipal Manager's foreword includes the information required in terms of the MFMA Circular 63 of September 2012 except for the following which were omitted:

Information related to the revenue trend by source including borrowings undertaken by the municipality. Risk assessment, including the development and implementation of measures to mitigate the top 5 risks.

###### **Executive Summary**

Although the mayor's and municipal manager's forewords contain a detailed summary of the key service delivery activities that the municipality undertook over the financial year as well as future plans for the ensuing financial years, these forewords could be enhanced with brief references to challenges facing the municipality going forward and the municipality's intentions on how these challenges could be addressed.

##### **4.2 Auditor- General Report**

Big 5 Hlabisa Municipality received a "Qualified Opinion" for the 2017/2018 Financial Year. Opinion: "The financial statements present fairly, in all material respects, the financial position of the Big 5 Hlabisa Municipality as at 30 June 2018 and its financial performance, and cash flows for the year ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA."

The Auditor General did however point out that the Annual Financial Statements and Performance Information submitted for audit contained inaccuracies which had to be corrected before the final audit was completed. The Auditor General also raised a number of matters which would require attention to avoid an adverse opinion in the future.

##### **4.3 Chapter 3 - Annual Performance Report**

The Annual Performance Report was a considerable improvement on the report for the previous financial year and it was considerably shortened in line with MPAC's comments in relation to last year's Annual Performance Report.

##### **4.4 Chapter 4- Financial Statements**

The Committee draws Council attention to the following in the financial statements:

###### **Value Added Tax Receivable.**

The municipality did not record VAT as required by the VAT Act of South Africa, 1991 (Act No. 89 of 1991 ).

###### **Impairment of trade debtors**

As disclosed in note 27 of the financial statements, the municipality recognize the provision of the bad debt.

## **Irregular Expenditure**

Irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. 100% (100% in the prior year) of this Irregular expenditure was identified during the audit process and not detected by the municipality's monitoring processes.

The classification, validation and recoverability of these items will be determined by MPAC in terms of section 32 of the MFMA.

## **Cash Position**

The MPAC expressed concerns about the debtor management at the Municipality.

## **Supply Chain and Contract Management**

The issues raised by the Auditor General in relation to Supply Chain Management and Contract Management requires urgent attention.

## **4.5 Comments from the Public**

No comments received from the public.

## **4.6 Comments from Provincial Cogta**

The Annual Report contains all the components, annexures and appendices as required by Section 121 of the MFMA as well as Circular 63. MPAC recommended that value added recommendations from Province be implemented by the administration.

## **5. Reservation**

None

## **6. Conclusion**

6.1 That the Annual Report for 2017/2018 is not only a considerable improvement over reports for previous years but also presents itself to be much more user friendly;

6.2 The administration can be commended on the efforts made on the presentation of the Annual Report.

## **7. Recommendations**

- a) That the 2017/2018 Oversight Report together with the Annual Report 2017/2018 be adopted;
- b) That the Oversight Report be made public by the Municipal Manager in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act, 2003;
- c) That the Oversight Report and Annual Report 2017/2018, be submitted to the provincial legislature by the Municipal Manager in accordance with section 132 (2) of the Local Government: Municipal Finance Management Act, 2003;
- d) That the classification, validation and recoverability of unauthorized, irregular and fruitless and wasteful expenditure as reflected in the Annual Financial Statements 2017/2018, be determined by the Municipal Public Accounts Committee in terms of section 32 of the Local Government: Municipal Finance Management Act, 2003 and that a report in this regard be submitted to the Municipal Council for consideration;
- e) That effective Credit Control and Debt Collecting practices, be implemented;
- f) That the issues raised by the Auditor General in relation to Supply Chain Management and Contract Management, be attended to urgently.

A handwritten signature in black ink, appearing to read 'H.S. Ndlovu', enclosed within a dotted-line rectangular border.

Cllr H.S Ndlovu

Chairperson MPAC