

OVERSIGHT REPORT ON THE 2020/2021 ANNUAL REPORT



March 2022

VISION: "A developmental people driven organization that serves its people"

Mission: "To provide essential and sustainable services in an efficient and effective manner"

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1. Acronyms and Definition of terms

AG	Auditor General
COUNCIL	Council of Molemole Local Municipality as constituted
FY	Financial Year
LM	Local Municipality
IDP	Integrated Development Plan
LED	Local Economic Development
MPAC	Municipal Public Accounts Committee
MIG	Municipal Infrastructure Grant
MFMA	Municipal Finance Management Act
NDP	National Development Plan
KPA	Key Performance Areas
OCA	Operation Clean Audit
PMS	Performance Management System
SDBIP	Service Delivery and Budget Implementation Plan
MSA	Municipal Systems Act
RDP	Reconstruction of Development Programme
CLLR	Councillor
EXCO	Executive Committee
GRAP	Generally Recognized Accounting Practice
COGHSTA	Cooperative Governance, Human Settlements and Traditional Affairs

2. PURPOSE OF OVERSIGHT REPORT

The main purpose of this report is to recommend to Council the consideration of the 2020/21 Annual Report and to adopt an Oversight Report containing 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).

3. Municipal Public Accounts Committee

Council has after inauguration in August 2016 appointed fellow Council members to establish MPAC as an oversight committee over the work administration and to engender the culture of openness, transparency and accountability.

The Municipal Public Accounts Committee is the mechanism through which Council exercises oversight over the management and expenditure of public funds. Council must provide assurance to the public that public monies and assets are being managed properly and that value for money is being rendered by public sector institutions in their spending of public funds. Municipal Public Accounts Committees are established in terms of Section 79 of the Municipal Structures Act to conduct oversight functions.

The following Councillors served in the committee during the 2020/21 financial year:

Names	Designation	Political Party
Cllr. Rathete P.T	Chairperson	ANC
Cllr Marutha M	Member	ANC
Cllr Matjee M.C	Member	DA
Cllr Ramukhubedu S	Member	ANC
Cllr. Manthata J.	Member	ANC

4. Overview of legislative framework on Annual Report

Each municipality is required to prepare an Annual Report in terms of Section 121 of the MFMA. Circular No. 63 issued by the National Treasury provides guidance on the structure of the Annual Report to ensure consistency by all municipalities in preparing their Annual Reports.

The adoption of an Oversight Report by the municipal council should be viewed as a compulsory task in terms of Section 129(1) of the Municipal Finance Management Act (MFMA) No.56 of 2003 in exercising financial management over the respective municipality.

The introduction of the Municipal Public Accounts Committee (MPAC) to Molemole Local Municipality has created an expectation of a transparent and accountable local government institution which will aspire to a sound financial management practice which will ultimately result in world class service delivery.

MPAC is now in position to table to Council the Oversight Report on the 2020/2021 Annual Report of Molemole Local Municipality.

Credit should go to members of MPAC, The Accounting Officer, District MPAC, COGHSTA, Audit Committee, and Internal Audit who have contributed to the compilation of the Oversight report and to ensure the Municipality complies with the relevant legislative framework relating to the compilation of Annual Report.

5. The purpose of Annual Report

- i. To provide a record of the activities of the municipality during the 2020/21 financial year
- ii. To provide a report on performance against the budget of the municipality for the 2020/21 financial year;
- iii. To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

5.1 Major Elements of the 2020/21 Annual Report

Circular 63 of the MFMA stipulates that the following elements must be included in the Annual Report:

Chapter 1: Mayor's Foreword and Executive Summary;

Chapter 2: Governance;

Chapter 3: Service Delivery Performance;

Chapter 4: Organizational Development Performance;

Chapter 5: Financial Performance;

Chapter 6: Auditor General's Findings;

Appendices; and AFS

Other disclosures as required by the MFMA in Section 121, 124, 125 (e.g. Councilors and Top Management compensation, grants, bank accounts, investments information etc.)

6. PROCESSES FOLLOWED BY COUNCIL

In terms of Section 127 of the MFMA (Act 56 of 2003), the Mayor is required to table the Annual Report in Council within 7 months after the end of financial year. 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 the 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) the Council is required to consider the Annual Report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, 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, or refer the annual report back for revision of issues that need to be revised or that Council reject the annual report.

In the Council meeting held on the 27 January 2022 Council passed a resolution (resolution (OC/5.1/27/01/2022) referring the draft 2020/21 Annual Report to the Municipal public Accounts Committee for consideration as well as to embark on a public consultation campaign in all the sixteen wards of the municipality. The Accounting Officer had also publicized the Draft Annual report in the municipal website and was made available in all municipal service points, including libraries. The public was given over thirty (30) days to make inputs and/or representations on the draft Annual report.

Subsequent to the public consultations MPAC members were given sufficient time to review and discuss the Annual Report. The following stakeholders were also requested to provide inputs and comments in the Annual Report:

- i. Audit Committee Chairperson
- ii. Chief Audit Executive
- iii. Auditor-General of South Africa
- iv. COGHSTA Limpopo
- v. Limpopo Provincial Treasury
- vi. Traditional Authorities

Public Consultation meetings were convened as follows:

Date	Time	Cluster	Attendance	Venue
08/03/2022	11H00	Ward 10,11,.12,13,14,15 and 16	120	MOHODI COMMUNITY HALL
09/03/2022	11H00	Ward 1,2,3,4,5,6,7,8,9	141	TSSHERANE MULTIPURPOSE COMMUNITY CENTER
Total			261	

It is the view of MPAC that the public consultations were successful and gave the communities an opportunity to ensure Council is able to account on the use of financial resources under its custodianship.

The committee provided clarity and responses to the questions or comments while others were noted for further attention by the relevant municipal departments and other sectors.

7. ISSUES OF CONCERN TO MPAC

The following questions were raised by MPAC and forwarded to the Accounting Officer for consideration:

1. LED SCORE CARD from page 62 to 63 (LED&P 001 to 003)

- ✓ What is the root cause of this projects not to be furnished because it has not been archived for the two consecutive years?
- ✓ What was the reason why council did not approve the report?
- ✓ What were the reason for the land illegally occupied by third parties?

2. TECHNICAL SERVICES page 68& 70

- ✓ Tech-001-2020/21 let the municipality provide with the status on how far they are?
- ✓ Tech-012-2020/21 what was the root cause of Mohodi sports complex not to be finished?
- ✓ Was this issue not raised during the first stage of Geo-tac?
- ✓ Please provide the documents indicating the Geo Tec
- ✓ upgrading Kgwadu to Botlokwa primary school from Gravel to surface Phase one
- ✓ You have already advertised for phase 2 of the same project and there are still a lot of problems that need your intervention. Can you explain how far are you with regard to the repair of water pipe line that is supposed to take the water into the tank instead of flowing directly to the road?
- ✓ Is the Community around that road getting the water like before? If not what are the mechanisms in place to assist the people there?
- ✓ There are big rocks that the contractor has left in front of the yard. What are the plans in place to remove those big rocks?
- ✓ On the sides of the contracted roads there are rabbles left by the Contractor. What are the plans to assist the community?
- ✓ There are many water pipe lines that are broken during the construction of the roads. Can you provide the time frame as to when all those problems will be resolved?

3. COMMUNITY SERVICE SCORE CARD page 76

- ✓ COMM-001 which equipment is needed to be procured and why are there no bids?
- ✓ COMM-005 what caused the delay in doing public participation on by-laws? Please provide a plan to address this matter of by- Laws

4. BUDGET AND TREASURY SCORE CARD

- ✓ BNT – 003-2020/21What was the root cause of bidders not to bid for the scanner?

- ✓ BNT-005_2020/21 what must the Council provide because this item is operational? What is the mitigation plan for non-achievement? What is the current status? Is it approved or not

5. DETAILED FINDINGS QUESTIONS

The following issues were raised by the AG

1. COMAF

- ✓ Reviews are not done-sufficient reviews must be done. Why the municipality has two SDBIP?
- ✓ Does the municipality has a checklist when doing a review?
- ✓ Why do we have indicators that was in the quarterly report but not in the IDP?
- ✓ Is there a plan to review or a checklist?
- ✓ Why do we have a financial mismanagement while we have outsourced a consultant plus our internal staff members?
- ✓ What is it that the municipality is doing in terms of revenue plan?

2. CONTINGENT LIABILITIES: DISMISSED COURT CASES WHICH NO LONGER QUALIFY AS CONTINGENT LIABILITIES

- ✓ Why the CFO not reviewing this cases of Grap 19,35?
- ✓ What are the plans in place to resolve the Grap 19 , 35?

3. MISSTATEMENT IDENTIFIED ON CASH FLOW STATEMENT

- ✓ How often your reviews are done to avoid misstatement?
- ✓ What are the plan in place to mitigate the issue?

4. COMMITMENTS: INAPPROPRIATE

- ✓ Why commitments are not disclosed?
- ✓ Why did the management fail to disclose properly?
- ✓ What let the management not to follow the Grap 13?

5. INCORRECT COMMITMENTS AMOUNTS

- ✓ What let to the management to do this miscalculations?
- ✓ What let the management to over pay the money to suppliers?

6. LITIGATION NOT DISCLOSED AS CONTINGENT LIABILITIES

- ✓ Why is there a council resolution but yet management continue with Matebele Dinare Matter? Why is still included in this Annual Report?
- ✓ What is it that the management is doing about people continue to sue the municipality?
- ✓ What are plans in place to avoid such litigations?

7. NON-MONITORING OF WORK PERFORMED BY EMPLOYEES

- ✓ We have employees at Morebeng Branch but reporting at Mogwadi offices why is this happening?
- ✓ Does the municipality has access control for reporting in and out of duty?

11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

- ✓ What prevented the management/Audit committee to review AFS on time? What is the plan in place to resolve the issue? Provide indicating the time frames in term of reviewing the AFS.

13. VACANCY RATE IN INTERNAL AUDIT

- ✓ Why is the Management not prioritizing the important vacant post in terms of needs, for instance in audit there are vacant positions and audit is one of our critical department which needs all the resources

COMAF 14: SCM DECLARATION OF INTERESTS

- ✓ Why is this finding recurring?
- ✓ What is it that the municipality is doing to prevent this finding?
- ✓ Is the municipality has a system in place to check if a person is working for other institution? Before they can grant him or her a tender?
- ✓ What are plans in place, if you found that a person appointed or applied is indeed working for a certain institution?
- ✓ Do we have methods to protect the municipality in terms of the declaration?

24. SCM INVESTIGATIONS

- ✓ What actually transpired with this issue?
- ✓ Why did we not comply with local content?

27. COMPLETENESS OF IRREGULAR EXPENDITURE

- ✓ Why the deviation memorandum was approved after appointment of the service provider?
- ✓ Why is like management undermine the findings mad by the internal Audit?

28. SCM MONITORING

- ✓ What was the role of R.E? if this things were happening on sites?
- ✓ R.E has problems, they are failing us

MANAGEMENT LETTER**1. FINANCIAL VIABILITY ASSESSMENT**

- ✓ What is the municipality doing as we lose so much money in terms of amounts of accounts receivable? R109053792

MPAC is hereby requesting that having considered the 2020/21 Annual Report of Molemole Local Municipality, Council should adopt the Oversight Report in terms of Section 129 (1)(of the Municipal Finance Management Act, 2003 (Act 56 of 2003)).

MPAC encouraged the Management to improve review mechanisms to ensure the information in the Annual report is accurate and is backed up by factual information.

8. GENERAL COMMENTS ON THE CONTENT OF THE ANNUAL REPORT

MPAC appreciates the support given by all stakeholders during the oversight processes for the 2020/21 Annual Report.

The committee further congratulate the Municipality for having maintained the unqualified Audit report for the 6th consecutive time this year and hope that the municipality is well and ready to get a clean audit in the 2020/2021 financial year.

The Committee wishes all the best for the upcoming Council and hopes that the new MPAC committee will use the Oversight reports to get a sense of service delivery challenges in the municipality and to come with programme of action to address them.

9. RECOMMENDATIONS

The committee recommended as follows:

- 9.1** That Council adopt the Oversight Report and the Annual Report without reservations in terms of Section 129 of the Municipal Finance Management Act, 2003 (Act no.56 of 2003)

**CLLR RATHETE PT
MOLEMOLE MPAC CHAIRPERSON**