MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

ANNUAL OVERSIGHT REPORT 30 JUNE 2024

F O R E W O R D

BY THE MPAC CHAIRPERSON

I am honored to be the Chairperson of Ndwedwe Local Municipality's Municipal Public Accounts Committee.

To confirm the accurate and credibility of the information reported be the Municipal Public Accounts Committee is not an easy task, and the committee is required to following thorough procedures and processes to do so. My role is to ensure that the Municipal Public Accounts Committee deliberations and discussions are objective. Also, I must make sure meetings are conducted effectively and efficiently.

In light of the Local Government Municipal Structures Amendment Act, Act No. 3 of 2021, it is essential to have a better functioning Municipal Public Accounts Committee to comply with the legislation. It is my sincere pleasure to thank the members of the Municipal Public Accounts Committee and the Administration for their support and cooperation.

The Committee wishes to recognize the additional entities within the KZN Provincial Government, including COGTA, Treasury, and SALGA, for their continuous support of MPAC's duties and responsibilities, as well as acknowledging the Council, MPAC members, and Administration.

Councillor ZW Khoza
MPAC Chairperson
Ndwedwe Local Municipality

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Compiled by	**:**	**Municipal Public Accounts Committee Chairperson**
Council	**:**	**28 March 2024**

1. PURPOSE

1.1 The purpose of this submission is to submit and present the Annual Municipal Public Accounts Oversight Report for 2023/2024 financial year end for Council to note and adopt the recommendation made.

1.2 In terms of Section 121 (1) (2) and 3 of the Municipal Financial Management Act determines as follows:

Every municipality must for each financial year prepare an annual report in accordance to Chapter 12 of the Municipal Financial Management Act.

The purpose of the Annual Report is:

- To provide a record of the activities of the municipality or entity during the financial year to which the report relates;
- To provide a record of the activities of the municipality or entity during the financial year to which the report relates;
- To provide a report on performance in service delivery and against the budget of the municipality for the financial year; and
- To promote accountability to the local community for decisions made throughout the year by the municipality.

1.3 The MFMA makes further provision for a public participation process by making the tabled Draft Annual Report public to allow the local community to submit representations in connection with the Draft Annual Report, as required by Section 127(5) of the MFMA, including submitting the report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

1.4 According to section 129 (a) of the Municipal Financial Management Act, 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 councils' 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. DISCUSSION

2.1 Establishment of the **Municipal Public Accounts Committee**

A Municipal Public Accounts Committee (MPAC) was set up under Section 79 of the Local Government: Municipal Systems Act, No. 32 of 2000 ("the MSA"). The responsibility of MPAC is to perform an oversight role over the process of preparing the Annual Report of the Council and to produce an Oversight Report based on its review of the Annual Report.

As required by the MFMA, the Municipal Manager must attend the Council meeting where the Draft Annual Report is tabled to be released for public comment as well as the MPAC Meetings to answer questions posed by the MPAC Members and to respond to written and oral representations from the community.

2.1.2 The Ndwedwe Local Municipal Council established the MPAC under Section 33 and 79 of the Structures Act 1998, which consists of the following members:

No	MEMBER DESIGNATION	GENDER	PARTY	DURATION	
				START	END
1	Cllr ZW Khoza (Chairperson)	Male	ANC	31/01/2023	N/A
2	Cllr LS Moahloli	Male	ANC	01/11/2021	N/A
3	Cllr MM Khuzwayo	Male	ANC	01/11/2021	27/10/2022
4	Cllr M V Phewa	Male	IFP	01/11/2021	N/A
5	Cllr TP Nkwakha	Male	ANC	01/11/ 2021	N/A
6	Cllr SE Dladla	Male	ANC	01/11/2021	N/A
7	Cllr SB Mfayela	Male	IFP	01/11/2021	N/A
8	Cllr NY Mlotshwa	Female	IFP	01/11/ 2021	N/A
9	Cllr NF Makhanya	Female	EFF	01/11/2021	04/12/2024
10	Cllr PH Ngobese	Male	AFR	23/08/2024	23/08/2024
11	Cllr M Ndlovu	Male	ANC	04/10/ 2023	N/A
12	Cllr ES Mthiya	Male	AFR	O4/12/2024	N/A
13	Cllr MC Shangase	Male	EFF	04/12/2024	N/A

2.2 MPAC Meetings, trainings, and workshops.

2.2.1 MEETINGS

According to the Terms of Reference/ Charter and the MFMA The Public Accounts Committee must meet at least four (4) times per year. The special meetings may be called as a need arises or in an event where the meeting was postponed.

The MPAC successfully conducted twelve (12) meetings during the 2023/24 financial year, comprising nine (9) normal meetings, two (2) special meetings, and one (1) site visit. The MPAC meetings for the 2023/24 financial year were scheduled as follows:

NUMBER	DATE OF THE MEETING	TYPE OF THE MEETING
1	20 July 2023	Normal Meeting
2	21 July 2023	Special Meeting
3	23 August 2023	Normal Meeting
4	22 September 2023	Normal Meeting
5	25 October 2023	Site Visit
6	24 November 2023	Normal Meeting
7	25 January 2024	Normal Meeting
8	22 February 2024	Normal Meeting
9	19 March 2024	Normal Meeting
10	23 April 2024	Normal Meeting
11	19 June 2024	Special Meeting
12	27 June 2024	Normal Meeting

The Chairperson of the Municipal Public Accounts Committee holds a standing invitation to attend and participate in the meetings of the Audit and Performance Committee and has consistently attended these gatherings as an invited member.

Conversely, the Chairperson of the Audit and Performance Committee is extended a standing invitation to the Municipal Public Accounts Committee meetings as per the Approved APC Charter. The Municipal Public Accounts Committee duly acknowledges and welcomes the participation of the Audit and Performance Committee Chairperson, who attends these meetings as an invited member.

The KZN COGTA has been invited to the meetings of the Municipal Public Accounts Committee, and the contributions from the Department are appreciated.

2.2.3 TRAINING AND OR WORKHOPS

- MPAC attended a workshop a MPAC Refresher Training that was requested by the Municipality. The refresher training was in in collaboration with KZN COGTA and SALGA. The Refresher training was held on 20 March 2024 at: SALGA offices, Musgrave.

- Additionally, the MPAC Chairperson has attended the CIGFARO Annual Conference that was held on 24-26 October 2023. The subjects being discussed include the connection between MPAC and the Audit Committee. Guidelines for Ethical Leadership in Local Government, the role of Ethical Leadership in the Effective Oversight by Councillors regarding financial procedures, and the inquiry into Unauthorised, Irregular, Fruitless, and Wasteful Expenditure by MPAC.

2.3 Function of the Municipal Public Accounts Committee

The committee is mandated to perform oversight on behalf of the community as required by the Constitution of the Republic, the Municipal Finance Management Act and Municipal Systems Act.

The most critical roles of the Municipal Public Accounts Committee are to assess, scrutinize and to consider the 2023/2024 Annual Performance Report of Ndwedwe Local Municipality, which serves the purpose of providing a record of activities of the municipality; providing a report on performance in service delivery against the budget; Providing information that supports the revenue and expenditure decisions made; and promoting accountability to the local community for decisions made.

The Municipality is currently in its second year of the council term and the IDP which we started the term of office in 2021, and which will to an end by June 2026, we had set ourselves eight key objectives that we would want to achieve by the end of our term of office in 2026. These objectives included, inter alia poverty eradication, job creation, profound and sound financial management, social and community development and obtaining clean audit from Auditor General of South Africa.

The Municipal Public Accounts Committee noted and considered all inputs received from the administration and other role players; and has performed all the activities that are part of the oversight process as required by legislation.

The Municipal Public Accounts Committee has discharged the following statutory requirements as part of 2023/2024 financial year.

In accordance with section 21 A of the Municipal Systems Act, 2000 (Act 32 of 2000)

I. Make public the annual report; and

II. Invite the local community to submit representations in connection with the annual report; and

III. Submit the annual report to the Auditor – General, the relevant provincial treasury and the provincial department responsible for local government in the province.

The Municipal Public Accounts Committee encountered difficulties in gathering public feedback regarding the oversight report and was unable to conduct the local community hearing because of budget limitations hence the initiative in providing the oversight report to public through Municipal Main Office, Sonkombo and Bhamshela Tusongs, Ndwedwe Municipal Public Library and Website **www.ndwedwe.gov.za.**

2.4 Internal Audit Function

MPAC is aware that the Internal Audit Unit has a co- sourced services of Internal Audit to ensure full capacity of the unit. The Committee is pleased that the Internal Audit Section has managed to execute its mandate by internal audits issuing reports including issues relating to Finances, Information Communication & Technology and for Performance Management. MPAC also welcomes and appreciate the great progress that has been contributed by the Internal Audit Unit.

The Committee welcomes and very pleased by Municipal Manager to appoint by The Manager Risk Management and Compliance that has joined the Municipality on the 2rd of May 2023 as the Committee has MPAC had previously encouraged the Municipality to appoint as the post has been advertised for several times to take fully responsibility of the Risk Management & Compliance as it not seen to be correct to have the Manager: Internal Audit Unit to perform the duties as it comprises the work of the IA office unit.

2.5 Audit Action Plan

It should be appreciated that during the 2023/2024 financial year, the Auditor General 45 raised findings before the audit report was concluded and most findings were resolved. The management has committed in resolving the findings raised and included in the audit report. The Audit Action Plan has been developed by Management against those findings and will be reviewed and monitored by Internal Audit Unit. The that partially resolved findings as per the 2023/2024 audit report be resolved.

2.6 Budget and SDBIP adjustment

The Municipal management has gone through a robust exercise to interrogate and review the budget with the aim of trying to align it with projects and important deliverables. Subsequently, a new revised budget during February was approved together with the revised SDBIP.

- NDWMPAC:20/03/24: Special Adjusted Service Delivery and Budget Implementation Plan for the Financial Year 2023/2024.
- NDWMPAC:37/05/24: 2^{ND} Adjusted Service Delivery and Budget Implementation Plan for the Financial Year 2023/2024.

2.7 IDP 2024/2025 and SDBIP 2023/2024

The IDP for 2024/25 was presented to the MPAC Committee and was accordingly noted. To ensure alignment between the draft Service Delivery and Budget Implementation Plan and draft budget information. These resolutions reflect the committee's efforts to ensure transparency, accountability, and effective planning within the Ndwedwe municipality, thereby striving for efficient service delivery and financial management.

2.7.1 The Ndwedwe Municipal Public Accounts Committee held a meeting on March 19, 2024, looked the following reports were noted and recommended to be tabled to the Council.

- NDWMPAC:14/03/24 Submission of Ndwedwe LM Final Annual Report for the Financial Year ended 30 June 2024 (27 June 2024)

- NDWMPAC:18/03/24: Adjusted Service Delivery and Budget Implementation Plan for the Financial Year 2023/2024.

- NDWMPAC:19/03/24, Ndwedwe Draft Integrated Development Plan (IDP) be noted

- NDWMPAC:17/03/24, The First Draft Service Delivery and Budget Implementation Plan for the New Financial Year 2024/2025.

2.7.2 The Ndwedwe Local Municipality Third Quarter Performance Report for the period of January 1 to March 31, 2024, concerning the Service Delivery Budget Implementation Plan (SDBIP) for the 2023/2024 financial year was presented to The Ndwedwe Municipal Public Accounts Committee on the meeting held on April 23, 2024. The report was noted and recommended to be tabled to the Council.

2.7.3 On June 27, 2024, the Ndwedwe Municipal Public Accounts Committee held a meeting two reports were tabled.

- NDWMPAC:26/06/24, Ndwedwe Local Municipality Draft Process Plan for 2025/2026 Integrated Development Plan (IDP) Review/OPMS.

- NDWMPAC: 27/06/24, Ndwedwe LM annual performance report (APR) process plan/ action plan for the financial year ended 30 June 2024

2.7.4 The Ndwedwe Municipal Public Accounts Committee convened meeting on 21 August 2024, to address various matters concerning the municipality's performance, reporting, and development plans for financial year ending 2023/2024. Here's a summary of the resolutions and actions taken:

- NDWMPAC:43/08/24, The Unaudited Fourth Quarter Performance Report for the period April 1 - June 30, 2024, on the Service Delivery Budget Implementation Plan (SDBIP) for 2023/2024.

- NDWMPAC:41/08/24, The Ndwedwe Local Municipality Draft Annual Performance Report for the financial year ending 2023/2024.

- NDWMPAC:42/08/24, Ndwedwe Local Municipality Final Process Plan for 2024/2025 Integrated Development Plan (IDP) Review.

These resolutions and actions reflect the committee's commitment to monitoring the municipality's performance, ensuring accountability through reporting, and facilitating the planning and development process for the benefit of the community.

2.8 Performance Management System (PMS)

One major challenges of the PMS are its ability to produce credible sources of evidence (POEs), this may have a negative impact of compromising the Municipal performance reports. It should be remembered that the office of the AG pointed several issues that resulted into material adjustment in the PMS report, yet the committee is not confidant that much has been done to ameliorate this problem. Inadequate PMS system also pose a major concern. However, the unit is adamant that plans are afoot to strengthen the performance management reporting systems.

2.9 Concerns Raised by the Office of the Auditor General of South Africa

The Annual Financial Statements and draft Annual Report for the year ended June, 30 2022 were submitted to the Auditor-General by 31 August 2024, complying fully with Section 126(1)(a) of the MFMA.

The Municipal Public Accounts Committee welcomes the unqualified audit opinion achieved by the Municipality for 2023/2024 financial year end, Management has maintained the controls over Annual Performance Report only as there were no material misstatements noted. The municipality submitted Annual Financial Statements that were unqualified with findings on compliance with legislation on Procurement, Contract and Expenditure Management.

2.10 Audit and Performance Committee

In terms of the Municipal Finance Management Act, No. 56 of 2003 (Section 166) read in conjunction with the National Treasury's MFMA Circular 65.

The Municipality has established the Audit and Performance Committee, and it is functional. The Committee acknowledges the appointment of a fully composed Audit Committee and its regular sittings. The MPAC Chairperson is a standing invitee to the Audit and Performance Committee as well as The Chairperson of the Audit and Performance Committee has a standing invitee to The MPAC Meetings. The Chairperson of the Audit and Performance Committee submits and tables the APC Oversight Report quarterly before it goes to the Municipal Council.

The Municipality has instituted the Audit and Performance Committee, which operates effectively within its designated capacity. The committee duly recognises the appointment of a fully established Audit Committee and acknowledges its consistent convening.

2.11 Internal Controls

The Municipal Public Accounts Committee is aware that internal controls are a responsibility of management, hence encourages the management to continuously design and monitor the implementation of internal controls. This will ensure that every staff member understands his/her role in the implementation of controls.

2.12 Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The Municipal Public Accounts Committee conducted the investigations on unauthorized, irregular, fruitless and wasteful expenditure for previous years, starting from 2009/2020 financial year to 2023/2024 financial year.

The MPAC Chairperson tabled all MPAC reports to council for approval, subsequently UIFWE register amount was drastically reduced. Currently there are still few that have not been finalised by The Municipal Public Accounts Committee hence still under investigation for 2024/2025 financial year.

2.13 Risk Management – Anti-Fraud & Corruption

Ndwedwe Local Municipality has in place an Anti-Fraud and Corruption Strategy and Policy that was reviewed by the Enterprise Risk Management unit and approved by EXCO and adopted by Council. The risk of fraud and corruption is one of the Municipality's top strategic risk areas.

As part of Fraud and Corruption prevention the following was done;

- Declarations of interest signed by Councillors, Senior Managers, Managers and SCM employees.
- Disclosing of Gift, Donations and Sponsorship received.
- Fraud Awareness campaigns for Councillors and Management.
- Conducting Fraud Risk assessments.
- Review of the Fraud risk register was done and monitoring on a monthly basis.
- Designing and development of fraud risk management plan.

For detection of Fraud and Corruption, Ndwedwe Local Municipality has a Shared service with other iLembe Family of Municipalities. The Fraud Hotline is run **by Deloitte Tip – Offs Anonymous,** and NLM receives reports on monthly basis.

Risk Management Committee functions as an oversight body; this includes the review of the effectiveness of prevention initiatives, detection techniques as well as progress made in mitigating the risk of Fraud and Corruption.

Top Fraud Risks includes the followings:-

- Deliberate leak of information;
- Leave taken by employees but not processed on the leave system;
- Misrepresentation of experience and qualification by applicants during the recruitment process in order to be appointed by the municipality;
- Payments for services not rendered/goods not received; and
- Employees claiming overtime that has not been worked or inflating overtime hours worked.

2.14 MPAC prior adopted Recommendations.

2.14.1 The Accounting Officer should ensure that all relevant and critical positions are filled immediately after the vacancy has been declared. That includes all positions even those occupied by non- official member e.g. on the Audit and Performance Committee, Risk Management Committee Chairperson and Disciplinary Board.

2.14.2 Those quarterly assessments on performance targets be done by the Accounting Officer and corrective measures with respect to targets not met. The revised targets be included and monitored.

2.14.3 Those pending investigations on irregular expenditure be finalised as a matter of urgency and that disciplinary steps be instituted, and monies be recovered as per guidelines Chapter 8 s 62 of the MFMA. The Municipal Council to right off the finalised investigations of the Unauthorised, Irregular, Fruitless and Wasteful Expenditure as recommended by MPAC.

3. MPAC OBSERVATIONS

3.1 We have noted the call to action for Council by AGSA that:

- The municipality maintained good practices regarding managing and reducing the fruitless and wasteful expenditure and is encouraged to continue with these practices.

- Ensure that prudent estimation of the budget for non-cash items to avoid the ever-increasing unauthorized expenditure

- The MPAC and the Municipality for resolving the long outstanding investigations but to avoid material non-compliance going forward the following is recommended:

    - ✓ Monitor how the investigations of UIFW are conducted and resolved. (MPAC)

    - ✓ Provide oversight by monitoring progress of capacitating members of MPAC with resources and necessary skills needed to execute its function diligently, in order to deal with the investigations into the UIFW.

- The MPAC to prioritise the discussion of all outstanding cases and keep track of resolutions and status of each case discussed by use of a register and that controls around procurement, contracts and expenditure management are strengthened to avoid repeat non-compliance in supply chain management.

3.2 The MPAC welcome and noted the AGSA consideration that the influence, support, capacitation and interventions of these co-orientating departments as part of our audit. We also considered the role of the Accounting Officer, Mayor and the Council, including the Municipal Public Accounts Committee (MPAC), Internal Audit, Audit and Performance Committee and the Risk Management Committee to better understand the discharge of their mandate and the effectiveness of their role. Final

3.3 The MPAC noted AGSA stated that MPAC was fully functional during the year as multiple meetings were held whereby, they reviewed and provided recommendations on the prior year instances of UIFWE. This process has assisted in improving the material non-compliance from prior year on Consequence management. Final.

3.4 That council obtains evidence of changes in policies and procedures around review of the financial statements, and budgeting to avoid repeat unauthorized expenditure and misstatements on the financial statements.

3.5 The Council to take note that the audit outcome for the municipality remained unchanged from the prior year as an unqualified audit opinion with findings and non-compliance with legislation of procurement, contracts and expenditure management are strengthened to avoid repeat non-compliance in supply chain management.

4. CONCLUSION

The Municipal Public Accounts Committee note that there is great improvement in good governance and that internal controls must be improved to ensure that issued raised by both internal and external audits are address effectively.

5. RECOMMANDATIONS TO COUNCIL

5.1 The Council approves The Annual Report for 2023/2024 without reservations, after it has taken into consideration,

5.2 The Council to consider and approves inputs of the following the Public, Representatives of Auditor General, Organ of state, Council's Audit and Performance Committee and Municipal Councillors.

5.3 That The Municipal Public Accounts Committee Annual Oversight Report be submitted to relevant Stakeholders.

On behalf of the Municipal Public Accounts Committee (MPAC)

Councillor ZW Khoza
MPAC Chairperson
Ndwedwe Local Municipality