



**UGU DISTRICT MUNICIPALITY**

**OVERSIGHT REPORT**

**2022/ 2023**

**FINANCIAL YEAR**

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## 1. INTRODUCTION

The Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council regarding the Annual Report and the preparation of an Oversight Report.

Given the processes required by Council to effectively undertake its oversight role, the establishment of an Oversight Committee of Council would provide the appropriate mechanism in which Council could fulfil its oversight responsibilities.

The Municipal Public Accounts Committee (MPAC) is one such committee at the Ugu District Municipality

The MPAC's primary role has been to consider the Annual Report, receive input from the various role players and to prepare a draft Oversight Report for consideration by Council.

## 2. BACKGROUND

The oversight role of Council is an important component of the financial reforms, and it is achieved through the separation of roles and responsibilities between Council, the Executive (Mayor and Executive Committee) and Administration. Good governance, effective accountability, and oversight can only be achieved if there is a clear distinction between the functions performed by the different role players.

Non-executive Councillors are required to maintain oversight on the performance of specific responsibilities and delegated powers that they have given to the Executive (Mayor/Executive Committee). In other words, in exchange for the powers which Council have delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or nonperformance of the municipality.

The Municipal Finance Management Act, No.56 of 2003 (MFMA) vests in Council specific powers of approval and oversight.

- ✓ Approval of budgets.
- ✓ Approval of Budget related Policies; and
- ✓ Review of the Annual Report and adoption of the Oversight Report.

### 3. FUNCTIONS OF THE OVERSIGHT COMMITTEE

The functions of the Oversight Committee (MPAC) are to:

- ✓ Undertake a review and analysis of the Annual Report.
- ✓ Invite, receive, and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- ✓ Consider written comments received on the Annual Report from the public consultation process.
- ✓ Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- ✓ Receive and consider Council's Audit Committee views and comments on the Annual Financial Statements and the Performance Report.
- ✓ Preparation of the draft 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.

## 4. COMPOSITION OF OVERSIGHT COMMITTEE

### 4.1 Membership

The MPAC is a committee of Council established under section 79 of the Municipal Structures Act, 1998. Section 79 allows for the co-option of advisory members to a Committee of Council, who are not members of the Council.

Due to the separation of roles and responsibilities, between Council and the Executive (Mayor and Executive Committee) it is not appropriate that members of the Executive Committee be members of the MPAC.

### 4.2 Authority & Power

The MPAC is delegated the responsibility to conduct meetings and to hold public hearings to receive and hear public submissions on the Annual Report, on behalf of Council.

Timely notice of all meetings should be given, and all meetings held by the MPAC must be open to the public and minutes of the meetings must be submitted to Council meetings.

### 4.3 Meeting Schedule

The Annual Report, presented to the Council during its meeting on January 25, 2024, underwent a thorough process of public engagement and feedback solicitation. The community was notified of the Annual Report's availability through print media and encouraged to provide their input. Public awareness was heightened through a notice published in the local South Coast Fever newspaper on February 1, 2024, and via the municipal website on February 2, 2024.

Copies of the Annual Report were made accessible at all municipal libraries and offices, and the UGU District Municipality website facilitated public input. Additionally, the Reports were discussed at the District Task Team meeting to gather valuable comments.

Upon the conclusion of the public submission period, a singular submission was received, highlighting the community's commendation for the municipality's notable achievement in fostering job creation within the district.

Furthermore, the Annual Report underwent scrutiny by key stakeholders, including the Auditor-General, Provincial Treasury, and the Department of Local Government and Traditional Affairs. The 2022-2023 Draft Annual Reports were presented at various committee meetings, including the Audit committee, MPAC, Sound Governance and Human Resources Portfolio, EXCO, and Council, ensuring a comprehensive review and discussion of the report's contents.

The 2022 2023 UGU Draft Annual Report was submitted to MPAC for consideration on the following dates...12 September 2023, 14 November 2023, 18 January 2024 and 1 March 2024 and the following matters were raised and noted, the minutes thereof annexed hereto.

- Cllr Luthuli requested that a physical meeting be scheduled to thoroughly discuss the report and provide input.
- That the report be presented at other platforms to increase public participation.

The Draft 2022 2023 Annual Report was submitted to the Auditor General and the Department of Corporative Governance and Traditional Affairs. Following numerous engagements with the AG and COGTA, all comments and findings have been resolved.

## 5. THE OVERSIGHT REPORT

This Oversight Report is for the financial year ended 30 June 2023.

### Chapter 1 – Introduction & Overview

The foreword of the Mayor as well as the Municipal Manager's overview were both noted. Mayor expressed gratitude to the Executive Committee, Council members, and the Speaker for their unwavering dedication in fulfilling the municipality's mandate. The report underscores initiatives aimed at enhancing financial stability, diminishing reliance on grants, and resolving issues within the billing system.

The Municipal Manager highlighted the municipality's shock of the untimely passing of the late mayor, Cllr PH Mthiyane, and the Municipal Manager, Dr EMS Ntombela. Their passing had indeed left a huge void in the municipality, and they shall forever be saluted for their contributions made during their tenure. May their souls rest in eternal peace.

### Chapter 2 – Governance

The Appointment of the Acting MM has resulted in resilient stability within the organization where significant strides are recognized in the pursuit of exceptional municipal performance. Through both permanent and Acting appointments, all S56 posts were filled for the 2022 2023 financial year.

The 2022 2023 Draft Annual Report was made available for public comment through various platforms. It was noted that 75% of wards within the district were functional.

### Chapter 3 – Service delivery

The challenging economic conditions prevailing in the country have adversely affected the municipality's revenue collection, with a substantial number of consumers facing financial hardships. Despite being dedicated to its core function of water and sanitation services provision as a Water Services Authority, specific segments of the supply network have encountered challenges stemming from aging infrastructure and the recurring implementation of power blackouts by the power utility ESKOM.

Several factors, including cash flow constraints, staff shortages, power outages, vandalism, and aging infrastructure, contributed to unachieved targets. In the Basic Services Delivery Key Performance Area for the 2022-2023 financial year, MPAC observed a significant decline in performance, registering at 36%, reflecting a decrease of 24%.



To address these challenges, the municipality's Water Services department has devised various plans and strategies aimed at enhancing the financial situation. This proactive approach is expected to alleviate cash flow challenges that have impeded the delivery of essential services throughout the financial year.

#### **Chapter 4**

The organizational performance for the financial year 2022-2023 was reported at an impressive 91%, reflecting a notable improvement of 5% compared to the preceding financial year.

Despite facing significant financial challenges over several years, the municipality has made commendable strides in overcoming these difficulties. However, these financial constraints have posed considerable obstacles to meeting service delivery targets. The improved performance in other Key Performance Areas can be attributed to initiatives with minimal or no financial implications, allowing the municipality to sustain high levels of overall achievement.

In the context of the 2022-2023 financial year, the municipality set a total of 276 targets. Remarkably, 252 of these targets were successfully met, resulting in a mere 24 targets that went unachieved during the year. This performance underscores the municipality's dedication to meeting its objectives despite prevailing financial constraints.

#### **Chapter 5**

The municipality retained its unqualified audit opinion for the 2022-2023 financial year, and all grants allocated for the year were fully utilized.

Despite persistent cash flow challenges, the municipality proactively addressed these issues through an aggressive revenue collection strategy and stringent cost containment measures. These municipal initiatives are anticipated to enhance the organization's cash flow, thereby contributing to the augmentation of reserves and fostering a robust cash coverage for the municipality.

## 6. ANNUAL REPORT CHECKLIST

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA	Financial reporting matters to be considered:	
121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General.	The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the accounting standards for municipalities.  <u>Have the required standards been met?</u>	The AG received and accepted the financial statements of the municipality and its entity as having met all the standards.
121 (3)(a) 121 (4) 121 (4)(b)	The above applies also to the AFS of municipal entities.	The AFS of the municipal entity was submitted together with the Annual Report and has met all standards
121 (3) (e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities.	Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? Is any other action required to be taken?	YES Service charges levied by other municipalities are paid over periodically in line with agreed upon terms.

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
<p>121 (3)(g)</p> <p>Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports.</p>	<p>The conclusions of the annual audit are:</p> <ul style="list-style-type: none"> <li>✓ An unqualified audit opinion with management issues.</li> <li>✓ The objective of the municipality is to sustain an unqualified audit opinion while thriving to achieve a clean audit.</li> <li>✓ Taking into account the audit report, audit opinion and the views of the audit committee, council considered: <ul style="list-style-type: none"> <li>• To what extent does the report indicate serious or minor financial issues?</li> <li>• To what extent are the same issues repeated from previous audits?</li> <li>• Is the action proposed considered to be adequate to effectively address the issues raised in the audit report?</li> <li>• Has a schedule of action to be taken been included in the annual report, with appropriate due dates?</li> </ul> </li> </ul> <p>Note that actions taken on audit issues are to be reported to the provincial legislature, the MEC for Cooperative Government &amp; Traditional Affairs to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MEC.</p>	<ul style="list-style-type: none"> <li>• The municipality achieved an unqualified audit opinion.</li> <li>• The municipality is still focused on achieving an unqualified audit opinion.</li> <li>• The audit report emphasised on material non-compliance and material AFS adjustments. Although not leading</li> <li>• The material non-compliance is largely stemming from prior years. The material AFS adjustments are due to inadequate reviews.</li> <li>• Yes, the proposed actions are appropriate and seek to eliminate these issues in the next audit.</li> <li>• The corrective action plan is appropriate and as such that the target date is 30 June 2024.</li> </ul>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
<p>121 (3)(f)</p> <p>An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget.</p>	<p>The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s17(3)(b)).</p> <p>The accounting officer must include these objectives in the annual report and report on performance accordingly.</p> <p>Has the performance met the expectations of council and the community?</p> <p>Have the objectives been met?</p> <p>What explanations have been provided for any non-achievement?</p> <p>What was the impact on the service delivery and expenditure objectives in the budget?</p>	<p>91% of the targets set were achieved with evidence made available.</p> <p>The municipal cash flow position resulted in a number of KPIs not met prioritising core function. KPIs for core services, water and sanitation were achieved at 39%. This translates to a decrease of 19% from the previous year.</p> <p>Although capital expenditure was at 100%, many of these projects are multiyear and the results will only be observed at the end of the project. Some projects were slower, and even halted as a result of cash flow challenges</p>
<p>121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality.</p>	<p>Review any other information that has been included regarding the AFS.</p>	<p>The municipality provides additional information as per the MFMA in the AFS as contained in the notes to the AFS as well as in the annual reports</p>
<p>1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA</p>	<p>Financial reporting matters to be considered.</p>	
<p>121 (3)(j) and 121 (4)(g)</p> <p>Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities.</p>	<p>Have the recommendations of the audit committee regarding the AFS been adequately addressed by the municipality and/or the entity?</p> <p>What actions need to be taken in terms of these recommendations?</p> <p>Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<p>Yes.</p> <p>The Audit Corrective Action Plan has taken into consideration the recommendations of the AG.</p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
2. Disclosures - Allocations received and made - Section 123-125 MFMA	Considerations	
123 (1)(a) Allocations received by and made to the municipality.	<p>The report should disclose:</p> <ul style="list-style-type: none"> <li>✓ Details of allocations received from another organ of state in the national or provincial sphere.</li> <li>✓ Details of allocations received from a municipal, entity or another municipality.</li> <li>✓ Details of allocations made to any other organ of state, another municipality, or a municipal entity.</li> <li>✓ Any other allocation made to the municipality under Section 214(1) (c) of the Constitution.</li> </ul> <p>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action?</p>	<p>Yes, allocations have been made to the municipality as per DORA and other provincial allocation.</p> <p>No action is necessary as the grants have been accurately reported.</p>
125 (1) Information in relation to outstanding debtors and creditors of the municipality and entities.	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> <li>✓ the information has been properly disclosed.</li> <li>✓ conditions of allocations have been met; and</li> <li>✓ that any explanations provided are acceptable.</li> </ul>	<p>The AFS shows debtors owing in excess of 30 days. Clause 9 classifies the debtors both by age and type.</p> <p>Note 37 further shows bad debts written off.</p> <p>Appendix K of the Annual Report refers to Revenue collection performance by source.</p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
2. Disclosures - Allocations received and made - Section 123-125 MFMA	Considerations	
123 (1)(c) Information in relation to the use of allocations received.	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ul style="list-style-type: none"> <li>✓ The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects.</li> <li>✓ Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided.</li> <li>✓ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.</li> </ul> <p>This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation.</p> <p>The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of</p>	<p>Appendix K refers to conditional grants received. Table 5.2.1 is for declarations made by the municipality.</p> <p>All grants were fully spent in the 2022-23 financial year and all conditions met.</p> <p>With the exception of the below provincial grants:</p> <ul style="list-style-type: none"> <li>• Shared Legal Services Grant 1,000,000</li> <li>• Water Refurbishment Umtamvuna System 302,176 -</li> <li>• Ugu Transformative River Management Programme 70,888</li> </ul> <p>Allocations to the municipality were paid in time as per the DORA allocation.</p> <p>All matter to the grants were properly disclosed on the AFS note 26.</p> <p>Council is satisfied with all endeavour in this regard</p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	<p>the audit report and comments by the audit committee on the use of allocations received.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> <li>✓ the information has been properly disclosed.</li> <li>✓ conditions of allocations have been met; and</li> <li>✓ that any explanations provided are acceptable.</li> </ul> <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	
3. Disclosures in notes to AFS	Considerations relating to section 124	
Information relating to benefits paid by municipality and entity to councillors, directors and officials.	<p>Information on the following items is to be included in the notes to the annual report and AFS:</p> <ul style="list-style-type: none"> <li>✓ salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind.</li> <li>✓ any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors.</li> <li>✓ salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager.</li> <li>✓ contributions for pensions and medical aid.</li> <li>✓ travel, motor car, accommodation, subsistence and other allowances.</li> <li>✓ housing benefits and allowances.</li> <li>✓ overtime payments.</li> <li>✓ loans and advances, and.</li> <li>✓ any other type of benefit or allowance related to staff.</li> </ul> <p>Council should be satisfied that –</p>	<p>The average salary bill of councillors is R982 911.5 per month and sits at R11.7 million per annum.</p> <p>Outstanding accounts for councillors for more than 90 days is indicated in note 50 of the AFS there is R40 068 worth of arrears by councillors.</p> <p>Note 29 of the AFS discloses the salaries allowances and benefits of the municipal manager, CFO and every senior manager. Salaries for CEOs of entities are reflected in the entities' statements. This note discloses all benefits of the municipal manager, CFO and every senior manager.</p> <p>Council is satisfied with all endeavour in this regard</p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	<ul style="list-style-type: none"> <li>✓ the information has been properly disclosed.</li> <li>✓ conditions of allocations have been met; and</li> <li>✓ that any explanations provided are acceptable.</li> </ul> <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	
<b>4. Municipal Performance</b>	Considerations	
<p><b>The annual performance reports of the municipality and entities.</b></p>	<p>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. Questions that may be considered are –</p> <ul style="list-style-type: none"> <li>✓ Has the performance report been included in the annual report?</li> <li>✓ Have all the performance targets set in the budgets, SDBIP, service agreements etc., been included in the report?</li> <li>✓ Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?</li> </ul> <p>In terms of key functions or services, how has each performed? E.g., have backlogs for water, sanitation, and electricity been reduced? What are the refuse collection volumes, library usage statistics etc.?</p>	<p>APR was submitted timeously to AG on 31 August 2023.</p> <p>YES, the 2022 2023 APR narrative has been included in the Annual Report as an Annexure to the Annual Report</p> <p>YES. The Annual Performance report is an annexure to the AR.</p> <p>YES, all information is included in the Annual Performance Report.</p> <p>During the 2022 2023 financial year, the Basic Services Key Performance Area had 25 project KPIs in total of which only 9 were achieved. There were 16 unachieved for the financial year. This translated to an achievement of 36%.</p> <p>In the previous financial year performance within the Basic Service Delivery Key Performance Area was 60%.</p>



INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	<ul style="list-style-type: none"> <li>✓ To what extent has performance achieved targets set by council?</li> <li>✓ Is the council satisfied with the performance levels achieved?</li> <li>✓ Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?</li> <li>✓ What actions have been taken and planned to improve performance?</li> <li>✓ Is the council satisfied with actions to improve performance?</li> <li>✓ Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?</li> <li>✓ Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</li> <li>✓ Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</li> <li>✓ To what extent have actions planned for the previous year been carried over to the financial year reported upon?</li> <li>✓ Have any actions planned in the reported year been carried over to the current or future years? If so, are any explanations been provided by the municipal manager and are these satisfactory?</li> </ul> <p>Council should comment and draw conclusions on information and explanations provided.</p>	<p>The Municipality has increased water services delivery to 85% of its households.</p> <p>Access to sanitation has been increased to 85% of the households in Ugu district. 35% is however, according to STATS SA, below the National standard (VIP)</p> <p>There was no customer satisfaction survey conducted in the 2022/2023 financial year, Service delivery protests still continue to be a challenge due to issue with delivery of services.</p> <p>Performance continues to be reviewed quarterly by council.</p> <p>The S57 managers' performance contracts are made up of the departments' targets. The issues with under performance in some instances have been acknowledged by management.</p> <p>The audit committee recommendations were noted as follows...</p> <ul style="list-style-type: none"> <li>▪ management continue to cooperate with the internal audit function to improve the current control environment through the timely implementation of recommended actions,</li> <li>▪ follow up audits be completed on a quarterly basis to prevent recurrence of repeated findings,</li> </ul> <p>Council is satisfied with all endeavour in this regard</p>

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		<ul style="list-style-type: none"> <li>▪ where controls are found to be inadequate, consultative internal audit engagements be implemented to guide management on improving policies and procedures through a gap analysis approach.</li> <li>▪ the internal audit function be capacitated with funding to employ outside service providers to assist in discharging internal audit engagements that require specialist information technology audit skills, and</li> <li>▪ the internal audit function be capacitated with further resources to implement management requested ad-hoc assignments to prevent delays in the execution of the approved annual audit plan.</li> <li>▪ The audit committee is satisfied that the internal audit function maintained its independence and objectivity throughout the under review.</li> </ul> <p>Council believes that the Audit Corrective Action plan if monitored closely and implemented appropriately will achieve the desired outcomes</p>
Audit reports on performance.	Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually. Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the auditor-general been	Although Council has made considerable progress, the concerns of the Committee in respect of the Performance Management System is noted.

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	included in action plans to improve performance in the following year?	
<b>Performance of municipal entities and municipal service providers.</b>	<p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities.</p> <p>The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered.</p> <p>Is the council satisfied with the evaluation and conclusions of the municipality?</p> <p>What other actions are considered necessary to be taken by the accounting officer?</p>	<p>Consolidated reports account for the entities as well.</p> <p>Council is satisfied with the explanations.</p>
<b>5. General information</b>	The following general information is required to be disclosed in the annual report.	
<b>Relevant information on municipal entities.</b>	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses, and contact details for entities, the purpose of the entity, the functions, and services provided the type and term of service level agreements with the entities.	Disclosed in the 2022 2023 SCTIE Annual Report
<b>The use of any donor funding support.</b>	<p>What donor funding has the municipality received?</p> <ul style="list-style-type: none"> <li>✓ Have the purposes and the management agreements for the funding been properly agreed upon?</li> <li>✓ Have the funds been used in accordance with agreements?</li> <li>✓ Have the objectives been achieved?</li> <li>✓ Has the use of funds been effective in improving services to the community?</li> <li>✓ What actions need to be taken to improve utilisation of the funds?</li> </ul>	No donor funding received in the current year.

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
Agreements, contracts and projects under Private-Public-Partnerships.	Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.	Not applicable.
Service delivery performance on key services provided.	This may be a high-level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report and or in statistical tables.	The Annual performance Report in Annexures gives a detailed report on service delivery.  Performance for the 2022 2023 financial year was reported at 91%. This represented an improvement of 5% from the previous financial year.
Information on long-term contracts.	Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.	There have been no new long-term borrowings in this period. Loan still outstanding from prior year(s) are disclosed.
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations.	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.	Chapter 2 details Information Communications Technology (ICT) activities and progress The municipal website is kept up to date as legislated. Refer table 2.10.1 During the 2022/23 Financial year, being Year 1 of the Digital strategy, many projects were targeted in the implementation plan and were 100% implemented. The Municipality has received support from SALGA who had also committed to being a partner with the Municipality in the implementation of this Digital Strategy. One of the larger ICT projects implemented from July 2022 to December 2022, was the Device refresh project, where 260 laptops and 190 desktops were leased

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
		<p>for a period of 36 months. The ongoing oversight by the ICT Steering Committee has been imperative to the success of the ICT Strategic implementation.</p> <p>Council is satisfied with all endeavour in this regard</p>
<p>Three-year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework.</p>	<p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided.</p> <p>This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and will be highlighted in the coming budgets.</p> <p>Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p>	<p>Refer to Appendices M in the Annual Report for capital expenditure information.</p> <p>For this the municipality is grant dependent and 100% of this was spent.</p> <p>The gaps in level of services include rural/urban National design standards. This affects the rural area more and more because the level of service required in the rural area increases annually and the actual level of service cannot keep up with the demand. This trend will continue until service levels are equalized.</p> <p>The major basic service delivery challenge faced by the district is the slow pace of backlog eradication and high levels of aged infrastructure. The ageing infrastructure results in high maintenance costs which have an adverse effect on the eradication of backlog due to limited funding. This also has a direct impact on the municipality's compliance with minimum requirements of the No Drop, Green Drop, and Blue Drop standard. Furthermore, the municipality's Water and Sanitation Master Plans and thus prioritization and planning of projects, is outdated and in the process of development despite the financial constraints. There is also a challenge of high levels of illegal connections which further strains the available resource.</p> <p>Council is satisfied with all endeavour in this regard</p>
6. Other considerations recommended		
Timing of reports.	Was the report tabled in the time prescribed?	The Annual Report submitted to Council at its 25 January 2024 meeting, was referred for public

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	Has a schedule for consideration of the report been adopted?	<p>participation and input on the Report. The community was advised through the print media of the availability of the Annual Report and were invited to submit representations on the report. Public notice appeared in the local South Coast Fever newspaper dated, 01 February 2024 and via the municipal website on 02 February 2024. The report was also presented at the District Task Team meeting on 13 February 2024.</p> <p>The Annual Report was available at all municipal libraries and offices and was also placed on the UGU District Municipality website for public input for 21 days. The Annual Report was submitted to the Auditor-General, Provincial Treasury and the Department of Local Government and Traditional Affairs.</p> <p>At the closing date for public submissions, 1 comment was received whereby it was commented that the municipality strongly celebrate its achievement of greater job creation within the district.</p>
Oversight committee or other mechanism.	<p>What mechanisms have been put in place to prepare the oversight report?</p> <p>Has a schedule for its completion and tabling been adopted?</p>	<p>Oversight Committee formed.</p> <p>Yes.</p>
Payment of performance bonuses to municipal officials.	Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which	<p>A bonus was paid for the 2022.2023 financial year, this was in accordance with legislation after a performance evaluation was conducted and presented to Council.</p> <p>YES</p> <p>Council is satisfied with all endeavour in this regard</p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	<p>performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report.</p> <p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?</p> <ul style="list-style-type: none"> <li>✓ If so, has a proper evaluation of performance been undertaken?</li> <li>✓ Was the evaluation approved by council?</li> <li>✓ Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report?</li> <li>✓ Are the payments justified in terms of performance reported in the annual report?</li> </ul>	

## 7. CONCLUSION

The achievement of the municipality in attaining an Unqualified Audit opinion by the Auditor General yet again is applauded by the Oversight Committee. The Oversight committee acknowledges the recurrent financial challenges experienced by the municipality and its impact on delivering services. It also however gives credit to the multiple strategies implemented in turning around the financial stance of the institution. The Committee is pleased with the appointment of the Acting Municipal manager and the improvement in the overall governance of the municipality as a result thereof. The Acting Municipal Manager did indeed step up to the challenge and delivered exceptional results under 2022 2023 financial year.

The Oversight Committee commends Council, and administration at the Ugu District Municipality on the strides made towards good governance and a report well presented. The improved quality in reporting and compliance to legislative mandates is noted.

Having performed the following tasks:

- ✓ Reviewed and analysed of the Annual Report.
- ✓ Invited, received, and considered inputs from Councillors on the Annual Report.
- ✓ Considered the written comments received on the Annual Report from the public consultation process.
- ✓ Allowed the local community or any organs of state to make representations 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 draft 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.

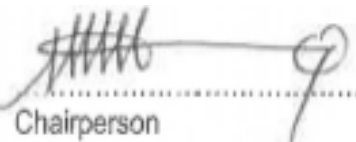
The Oversight Committee has pleasure in presenting the Oversight Report to Council to consider the following resolutions and then to be forwarded to the relevant Departments and Provincial Legislature:



## IT IS THEREBY RESOLVED BY MPAC TO RECOMMEND

1. That Council having fully considered the Annual Reports of the Ugu district Municipality and the Ugu South Coast Tourism and Investment Enterprise for the 2022 2023 Financial Year, **adopts** the Oversight Report for the 2022 2023 Financial Year, a copy of which is attached to the signed minutes of this meeting.
2. That Council **approves** the Annual Reports of the Ugu district Municipality and the Ugu South Coast Tourism and Investment Enterprise for the 2022 2023 Financial Year as included in the comments in the Oversight Report as referred to in part (1) of this resolution.
3. That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
4. That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.

For the oversight committee

  
Chairperson

## 8. Annexure – Minutes of MPAC meetings

MINUTES OF THE 11<sup>TH</sup> MEETING OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) HELD VIA MICROSOFT OFFICE TEAMS VIDEO CONFERENCING, ON TUESDAY, 12 SEPTEMBER 2023 AT 10H00.

### MEMBERS

Cllr MA Manyoni	- Chairperson
Cllr MZ Luthuli	- Member
Cllr P Shange	- Member
Cllr LMR Ngcobo	- Member
Cllr N Ndovela	- Member

### IN ATTENDANCE

Mr S Kati	- Chief Audit Executive
Ms F Mbili	- Senior Manager: Corporate Strategy and Shared Services
Mr K Audan	- General Manager: Budget and Treasury Office
Mr A Mbhele	- Manager: Administration and Auxiliary Services
Ms N Mkhwanazi	- Manager: Financial Internal Control and MFMA Compliance
Ms N Mbambo	- Manager: Legal Services
Mr B Khumalo	- Co-ordinator: Environmental Health
Ms N Sikutshwa	- CoGTA Representative
Ms J Moodley	- CoGTA Representative
Ms NP Chiliza	- Administrative Assistant: MPAC

### OPENING

The Chairperson welcomed all members to the meeting, and it was confirmed that there was a quorum. He then requested Cllr Ngcobo to open in opening prayer.

#### MPAC93/08/023 NOTICE OF MEETING

The notice of the meeting was taken as read by the members.

#### MPAC94/09/2023 APPLICATIONS FOR LEAVE OF ABSENCE

It was noted that the Acting Municipal Manager, Acting General Manager: Corporate Services and General Manager: Environmental Services, Cllr S Khawula had requested for leave of absence from the meeting. The Manager: Budget and Treasury Office was appointed the Acting Accounting Officer for the duration of the meeting. It was noted that no other apologies were received for this meeting.

Following which,  
It was

### RESOLVED:

That the requested leave of absent are hereby granted.

#### MPAC95/09/2023 DECLARATION OF INTEREST

It was noted that there were none.

#### MPAC96/09/2023 CONFIRMATION OF AGENDA

The General Manager: Budget and Treasury Office stated that there was an additional Item 9.5 sent to all members that was not initially added on the agenda.

Following which,

It was

**RESOLVED:**

(a) That the additional item 9.5 be **NOTED**

(b) That the agenda convening the 11<sup>th</sup> MPAC meeting be and is hereby **CONFIRMED**.

#### **CONFIRMATION OF MINUTES**

**MPAC97/09/2023 Minutes of the 10<sup>th</sup> Meeting of the Municipal Public Accounts Committee held on 21 July 2023**

The Chairperson took members through the minutes of the 10<sup>th</sup> meeting of the Municipal Public Accounts Committee held on 21 July 2023.

Following which,

It was

**RESOLVED:**

That the minutes of the 10<sup>th</sup> meeting of the Municipal Public Accounts Committee held on 21 July 2023 be and are hereby **CONFIRMED**.

#### **MATTERS FOR DISCUSSION**

**MPAC104/09/2023 Ugu District Municipality 2022/2023 Annual Performance Report**

The Senior Manager: Corporate Strategy and Shared Services introduced the report to the members and said that that report was prepared in terms of Section 52 and that MPAC should monitor the performance management system. She touched on the Mayor's forward which focused on the challenges that the Municipality was facing and making sure that the Municipality's commitments were aligned with its priorities. She also mentioned that the Municipality's emphasis was on improving its financial position. She said that the Mayor also spoke of the unauthorised water connections, performance of service providers and the unemployment and how it had negatively affected the Municipality's ability to collect revenue.

She went on to speak on the audited Annual Performance Report and stated that out of the 276 targets that the municipality had, 254 were achieved, giving the Municipality an 88% achievement rate. She added that this report had been audited by Internal Audit and that was the same report that the Auditor-General was auditing. She added that in comparing the Annual Performance of the municipality, in 2021/2022 the municipality had 277 targets and 39 were not achieved, which showed an improvement on the annual performance.

Following discussion,

It was

**RESOLVED:**

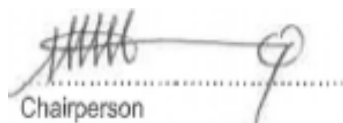
That the Annual Performance Report 2022/2023 be and is hereby **NOTED**.

**MPAC112/09/2023 DATE OF NEXT MEETING**

It was noted that the date of the next meeting was scheduled for 14 November 2023.

**MPAC113/09/2023 CLOSURE**

The Chairperson thanked all members for their inputs. He then declared the meeting closed at 12h46

  
Chairperson

**MINUTES OF THE 14<sup>TH</sup> MEETING OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) HELD VIA MICROSOFT OFFICE TEAMS VIDEO CONFERENCING, ON TUESDAY, 14 NOVEMBER 2023 AT 08H30.**

**MEMBERS**

Cllr MA Manyoni	- Chairperson
Cllr MZ Luthuli	- Member
Cllr P Shange	- Member
Cllr SE Khawula	- Member
Cllr LMR Ngcobo	- Member
Cllr N Ndovela	- Member

**IN ATTENDANCE**

Mr VO Mazibuko	- Acting Municipal Manager
Mr S Kati	- Chief Audit Executive
Ms F Mbili	- Senior Manager: Corporate Strategy and Shared Services
Ms M Gobhozi	- Acting General Manager: Corporate Services
Ms D Rankin	- Manager: EDES
Ms N Mkhwanazi	- Manager: Financial Internal Control and Compliance
Ms N Gumbi	- Manager: Human Resources
Mr S Mbhele	- Project Officer: PMU
Ms NP Chiliza	- Administrative Assistant: MPAC

**OPENING**

The Chairperson welcomed all members to the meeting, and it was confirmed that there was a quorum. He then requested Cllr Luthuli to open in prayer.

**MPAC114/11/023 NOTICE OF MEETING**

The notice of the meeting was taken as read by the members.

**MPAC115/11/2023 APPLICATIONS FOR LEAVE OF ABSENCE**

It was noted that the General Manager: Mr K Audan had requested for leave of absence from the meeting and Ms N Mkhwanazi was appointed Acting CFO for the duration of the meeting. It was noted that no other apologies were received for this meeting.

Following which,

It was

**RESOLVED:**

That the requested leave of absent are hereby granted.

**MPAC116/11/2023 DECLARATION OF INTEREST**

It was noted that there were none.

**MPAC117/11/2023 CONFIRMATION OF AGENDA**

The agenda was taken as it with the additional annextures for Item 9.1 and 9.7 circulated prior to the meeting.

Following which,

It was

**RESOLVED:**

(c) That the additional items 9.1 and 9.5 be NOTED

(d) That the agenda convening the 13<sup>th</sup> MPAC meeting be and is hereby **CONFIRMED**.

#### **MATTERS FOR DISCUSSION**

##### **MPAC128/11/2023 Ugu District Municipality 2022/2023 Annual Progress Report**

The Senior Manager: Corporate Strategy and Shared Services introduced the report to the members and stated that at the January Council, MPAC will need to submit an Annual Report as a draft to allow the public to comment as well as Council to make adjustments. She further requested that the Councillors indicate where they need to amend or need clarity on the report because the departments had already indicated what needed to go into the report.

The Senior Manager took members through the Mayor's Foreword as well as that of the Acting Municipal Manager's and stated that it was both approved. She further mentioned the core chapters of the municipalities, the policies as well as the SDBIP. She stated that this was very critical as it talked about the performance of the municipality based on the KPI's. Lastly, the manager added that the final report to be presented in January would include the Auditor General's Report, which was not available as yet.

Clr Luthuli requested that a physical meeting be scheduled to thoroughly discuss the report and provide input.

Following discussion,

It was

#### **RESOLVED:**

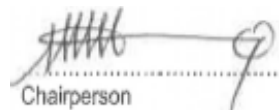
That the Annual Progress Report 2022/2023 be and is hereby **NOTED**.

#### **MPAC133/11/2023 DATE OF NEXT MEETING**

It was noted that the date of the next meeting would be communicated.

#### **MPAC134/11/2023 CLOSURE**

The Chairperson thanked all members for their inputs. He then declared the meeting closed at 10h32.



Chairperson

**UGU DISTRICT MUNICIPALITY**

**MINUTES OF THE 15TH MEETING OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) HELD VIA MICROSOFT OFFICE TEAMS VIDEO CONFERENCING, ON TUESDAY, 01 MARCH 2024 AT 10H00.**

**MEMBERS**

Cllr MA Manyoni - Chairperson  
Cllr P Shange - Member  
Cllr SE Khawula - Member  
Cllr LM Ngcobo - Member  
Cllr Z Ndovela - Member

**IN ATTENDANCE**

Mr VO Mazibuko - Acting Municipal Manager  
Mr S Kati - Chief Audit Executive  
Ms F Mbili - Senior Manager: Corporate Strategy and Shared Services  
Ms M Gobhozi - Acting General Manager: Corporate Services  
Mr S Malinga - Acting General Manager: Water and Sanitation Services  
Mr K Audan - General Manager: Budget and Treasury Office  
Ms D Rankin - General Manager: Economic Development and Environmental Services  
Ms N Gumbi - Manager: Human Resources  
Ms N Mbambo - Manager: Legal Services  
Ms NP Chiliza - Administrative Assistant: MPAC

**OPENING**

The Chairperson welcomed all members to the meeting. Cllr Shange was requested to lead the opening prayer.

**MPAC23/03/2024 NOTICE OF MEETING**

The Chief Audit Executive stated the meeting was changed to Microsoft Teams Video Conferencing and that the notice should be taken as is with the amendment to the location.

Following which,

It was

**RESOLVED:**

That the notice of the meeting is hereby taken as is with the amendment to the location of the meeting.

**MPAC24/03/2024 APPLICATIONS FOR LEAVE OF ABSENCE**

The Chairperson reported that Cllr Luthuli notified that he was not available for meetings and would submit a formal letter to the Speakes office with regards to his attendance.

Following which,

It was

**RESOLVED:**

That Cllr Luthuli be and is hereby granted leave of absent from the meeting.

**MPAC25/03/2024 DECLARATION OF INTEREST**

It was noted that there were none.

**MPAC26/03/2024 CONFIRMATION OF AGENDA**

The Chief Audit Executive stated that Item 8.5 was attached as an addendum to the agenda and should be read together with the agenda.

Following which,  
It was

**RESOLVED:**

That the agenda convening the meeting of the MPAC be and is hereby CONFIRMED with amendments.

**MATTERS FOR DISCUSSION**

**MPAC37/03/2024 2022/2023 UGU and SCTIE Annual Report and Oversight**

The Senior Manager: Corporate Strategy and Shared Services, Ms F Mbili took members through the reports and stated the purpose of the report. It is to provide the committee with the 2022/2023 UGU DM and USCTIE Annual and Oversight Reports after public consultation and comment from AG and CoGTA.

The Senior Manager: Corporate Strategy and Shared Services took members through the report starting with the Mayor's foreword which spoke on the financial position of the municipality, functioning of wards, the billing system, illegal water connections and collections. She stated that the Municipal Manager's Overview spoke of loss of leadership, risk mitigation and the challenges the municipality was facing.

Furthermore, she apprised the members Service Data, the Organisational Development, the Auditor General's Report which was an Unqualified Audit opinion. More on her report was the Audit Committee recommendations which included consequence management and Fruitless and Wasteful Expenditure.

The Senior Manager: Corporate Strategy and Shared Service touched on the core function of the municipality, Water Services, she spoke of the aging infrastructure and the rising demand. In terms of Performance of the Municipality, she stated that the report included information on LED, the Ugu Sports and Leisure centre, the Horse-shoe farm, the Ugu Fresh Produce Market which was damaged during the unrest and Social Compact.

Following which;

It was

**RESOLVED:**

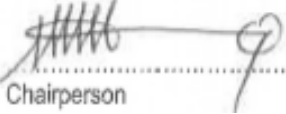
- (a) That the report regarding the 2022/2023 Ugu DM and USCTIE Annual Reports and Oversight be and is hereby NOTED.
- (b) **THAT MPAC RESOLVES TO RECOMMEND TO COUNCIL** the 2022/2023 UGU DM and USCTIE Annual and Oversight Reports to EXCO and COUNCIL for final adoption.

**MPAC42/03/2024 DATE OF NEXT MEETING**

It was noted that the date of the next meeting was 03 May 2024.

**MPAC43/03/2024 CLOSURE**

The Chairperson thanked all members for their inputs. He then declared the meeting closed at 12h18

  
Chairperson