



UGU DISTRICT MUNICIPALITY

OVERSIGHT REPORT

2021/ 2022

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 submitted to Council at its 24 January 2023 meeting, was referred for public 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, 02 February 2023 and via the municipal website on 26 January 2023.

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.

At the closing date for public submissions of 20 February 2023, no submissions were received.

The Annual Report was submitted to the Auditor-General, Provincial Treasury and the Department of Local Government and Traditional Affairs. The 21.22 Draft Annual Report was presented at weekly

audit steercom meetings, Audit committee meetings, MPAC, Sound Governance and Human Resources Portfolio, EXCO and Council

The 21.22 UGU Draft Annual Report was submitted to MPAC consideration the on the following dates...23 November 2022, 22 February 2023 and 10 March 2023 and the following matters were raised and noted, the minutes thereof annexed hereto.

- MPAC raised concerns on what had been done with regards to public participation as this was an issue raised on multiple occasions. It was perceived that the public was not encouraged enough to add their comments. Members raised concerns that the same issue had been raised in previous years, but no improvement had been noted.
- Concerns were raised on the reporting on the implementation of Council resolutions for the 2021.2022 financial year. MPAC expressed its reservation on the reported performance of 100% of council resolutions being implemented. It was noted that this be investigated to ascertain whether this was in fact a factual reported performance for the year.
- The committee again reiterated the subject of lack of public participation in the Annual report development process urging that there be more done to get the public's comment on the document.
- Members enquired on how signatures of the late Municipal Manager and Mayor would be attained. It was advised to seek guidance from the Auditor General as to whether a footnote in the Annual report explaining the unfortunate nature surrounding this challenge with signatures would suffice.

The Draft 21.22 Annual Report was submitted to the Auditor General on 19 January 2023

The AG during audit of the 2021 2022 financial year, raised a finding on the water tankering service on the municipality, despite many discussions on matter, it was advised that by removing the KPI/target from the SDBIP would mean that management would be failing to account and provide a report on performance against the high budget and expenditure on Water tankers. Management was advised to revise this KPI to define a load which would reflect / account for the number liters provided per each load delivered by Water tankers.

Below are comments received from the Auditor General - The Municipality has since provided POE and addressed findings of the AG, with some still in progress.

Ugu District Municipality
For year ended 30 June 2022

REVIEW OF THE ANNUAL REPORT

	Page reference to the Annual Report	Auditor Comments
Mayor's foreword		Not signed (Enquire from AG whether a footnote would suffice)
Municipal manager's overview		Not signed ((Enquire from AG whether a footnote would suffice)
Chapter 3	Page reference to the Annual Report	Auditor Comments
Water Provision	Table Employee: water services	Please provide supporting evidence – POE submitted
	Table on Performance Year 0	Please provide supporting evidence – POE submitted
Sanitation Provision	Table on Page 61 and 62	Please provide supporting evidence – POE submitted
	Table on page 94	Please provide supporting evidence – POE submitted
Employees Special programmes	Table on page 105	Please provide supporting evidence – POE submitted
Employee: Youth Development	Table on page 106	Please provide supporting evidence – POE submitted
Service statistics for health inspection	Table Page 131	Please provide supporting evidence – POE submitted
Employee: Disaster Management	Table Page 160	Please provide supporting evidence – POE submitted
Financial Performance Year 0: The Executive and Council	Table Page 161	Please provide supporting evidence – POE submitted
Employees: Financial Services	Table Page 163	Please provide supporting evidence – POE submitted
- Service Statistics for Human Resource Services	Table Page 164 -166	Please provide supporting evidence – POE submitted
Employees: ICT Services	Table Page 174	Please provide supporting evidence – POE submitted
Employees: Property; Legal; Risk Management	Table Page 184	Please provide supporting evidence – POE submitted

		disclosures on pages 210-213 of the members of municipal council were not disclosed in the annual financial statements. POE submitted
		disclosure of financial interest from page 211 is incorrectly included under chapter 5 - Corrected
		No evidence provided for injuries, sickness and suspensions POE submitted
		No evidence provided for average number of days and cost of sick leave POE submitted

Chapter 5		
5.9 Cash Flow		Adjusted budget column total incorrect Original budget figure for supplier and employees seems to be incorrect Capital assets payments not included (Page 31 DC21 UGU District Municipality _Adjustment Budget 2021_2022 (Part 1 of 4)
5.10 Borrowing and investments	Page 231	Please provide supporting evidence - Corrected

Chapter 6		
6.1 and 6.2	Auditor General Report year 1 – previous year and current year	Not included in the Annual Report -

AG Findings – prior year and current year	AG Findings – prior year and current year	Not included in the Annual Report – Submitted
Consolidated AFS		Not included in the Annual Report - Submitted

Appendix F		Information on annual report outstanding from water services - Submitted
Appendix L (i)		Not included in the Annual Report – Submitted
Appendix L (ii)		Not included in the Annual Report – Submitted
Appendix M – capital programme by projects		Able to confirm adjusted budget amounts but not actual figures
Appendix N – Capital Programme By Project By Ward Year 0 –		Not included in the Annual Report

Below is feedback from COGTA on the 21.22 Annual Report

ANALYSIS OF ANNUAL REPORT, ANNUAL FINANCIAL STATEMENTS AND AG AUDIT ACTION PLAN: 2021/2022 FINANCIAL YEAR

In accordance with section 127(5)(b) of the Municipal Finance Management Act No 56 of 2003 (MFMA), the municipality's annual report was received by the Department for analysis.

The annual report was analysed for compliance with sections 121(3) and 121(4) of the MFMA as well as NT circular 63. A comparison of the level of compliance in the previous financial year was also undertaken. In addition, and in respect of the annual performance report, compliance with section 46(1) of the Local Government: Municipal Systems Act was assessed.

It is noted that although there has been some improvement on the annual report compliance, there remain elements of non-compliance as detailed in Table 1 below.

Table 1: Analysis of the 2021/2022 Report

			Legislation/ Guidelines	Yes	No	N/A	P a g e	Comments
ANNUAL REPORT COMPONENTS								
1	Is there a set of the audited annual financial statements?	s121(3)(a)	yes					
2	Does the annual report contain the audit report on the AFS?	s121(3)(b)	yes					
3	Does the annual report contain annual performance report in terms of s46 of the MSA?	s121(3)(c)	yes					
4	Does the annual report contain the Auditor-Generals report on the municipalities performance report?	s121(3)(d)	yes					

Legislation/ Guidelines	Yes	No	N/A	P a g e	Comments
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ANNUAL REPORT COMPONENTS					
5	Does the annual report contain an assessment of the performance against measurable performance objectives for revenue collection by the accounting officer.	s12 (3)(f)		no	All information pertaining to revenue collection is disclosed in the AFS
6	Does the performance report include the current year's performance and targets as well as the prior year?	MSA s 46 (1) (a)	yes		
7	Does the performance report include measures that were taken or are to be taken to improve performance?	MSA s 46 (1) (a)	yes		
8	Does the performance report contain the development and service delivery priorities and performance targets set for the next financial year.	MSA s 46 (1) (a)	yes		
9	Is there an assessment by the accounting officer on any arrears on municipal taxes and services charges?	s121(3)(e)		no	Outstanding services and taxes are disclosed in the AFS
10	Does the annual report contain a response to the audit report on the AFS?	s121(3)(g)		no	This has since been addressed
11	Does the annual report contain the recommendations of the audit committee?	s12 (3)(j)	yes		
12	Does the municipality have sole or effective control of a municipal entity?		yes		
13	If yes to above, is there a set of consolidated annual financial statements	s121(3)(a), s 122 (2)	yes		
14	HAVE THE FOLLOWING APPENDICES BEEN DISCLOSED?	NT Circ 63			
a.	Councillors, Committee allocation and council attendance		yes		
b.	Committee and committee purpose		yes		
c.	Third Tier Administrative structures		yes		
d.	Functions of municipality/ entity		yes		
e.	Ward Reporting		yes		
f.	Ward Information		yes		
g.	Recommendations of the Municipal Audit Committee		yes		
h.	Long Term contracts and Public Private Partnerships		yes		
i.	Municipal entity/ Service provider Performance schedule		yes		
j.	Disclosure of financial interest		yes		
k.	Revenue Collection Performance		yes		
k(i)	Revenue Collection Performance by Vote		yes		
k(ii)	Revenue Collection Performance by Source		yes		
l.	Conditional grants received: excluding Municipal Infrastructure Grant		yes		
m.	Capital Expenditure - New/ Upgrade/Renewal Programmes: including Municipal Infrastructure Grant		yes		
m(i)	Capital Expenditure - New Assets Programme		yes		
m(ii)	Capital Expenditure - Upgrade/Renewal Programme		yes		
n.	Capital Programme by project Current year		yes		

Legislation/ Guidelines	Yes	No	N/A	P a g e	Comments
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ANNUAL REPORT COMPONENTS					
o.	Capital Programme by project by ward Current year		yes		
p.	Service connection backlogs at Schools and Clinics		yes		
q.	Service backlogs experienced by the community where another sphere of government is responsible for service provision		yes		
r.	Declaration of loans and grants made by the municipality		yes		
s.	Declaration of returns not made in due time under MFMA s71			no	All S71 submissions were made in time
t.	National and Provincial Outcomes for Local Government			no	All relevant achievements in terms of Outcomes have been covered in the Annual Report

Table 2: Analysis of the 2021/2022 Annual Financial Statements

The Department has noted that the municipality has an audit finding relating to the Annual Financial Statements in the municipality's 2021/2022 audit report indicating that;

"The financial statements submitted for auditing were not fully prepared in all material aspects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, expenditure and disclosure notes identified by the auditors in the submitted financial statements were subsequently corrected, resulting to the financial statements receiving unqualified audit opinion".

The analysis of the annual financial statements compliance is provided for the Accounting Officer to consider implementation of improved controls within the Budget and Treasury Officer to improve recording of financial data, reporting and compliance. You are further requested to consider the disclosure notes and make the necessary corrections as soon as possible and preferably through preparation of a set of interim financial statements.

		MFMA	Yes	No	P	N/A	Comments
DISCLOSURE REQUIREMENTS							
	HAS THE FOLLOWING BEEN DISCLOSED?						
a)	Government Grants (AFS)	s 123 (1)	yes				
1	Allocations received from an organ of state in the National or Provincial sphere of government.	s 123(1)(a)(i)	yes				
2	Allocations received from a municipal entity or another municipality.	s 123(1)(a)(ii)	yes				

		MFMA	Yes	No	P	N/A	Comments
DISCLOSURE REQUIREMENTS							
3	Allocations made to a municipal entity or another municipality.	s 123(1)(b)(i)	yes				
4	Allocations made to any other organ of state.	s 123(1)(b)(ii)			p		
5	Details of how the allocations that were received were spent, per vote excluding equitable share.	s 123(1)(c)	yes				
6	The municipality has complied with allocations made to it by National Government.	s 123(1)(d)(i)	yes				
7	The municipality has complied with allocations made to it other than by National organs of state.	s 123(1)(d)(ii)	yes				
8	Reasons for non-compliance with conditions referred to in 6 & 7 above.	s 123(1)(e)				na	
9	Delays or withholding of funds i.t.o the DoRA.	s 123(1)(f)				na	
10	Reasons for delay or withholding of funds indicated in 9 above.	s 123(1)(f)				na	
b)	Disclosures concerning Councillors, Directors and Officials. (Notes)	s 124	yes				
1	Salaries, allowances and benefits of political office-bearers and councillors of the municipality. (financial and in-kind)	s 124(1)(a)	yes				
2	Statement by the accounting officer that the salaries, allowances and benefits above are in accordance with the framework in s 219 of the Constitution.	s 124(1)(a)	yes				
3	Arrears owed by individual councillors to the municipality or its municipal entity for rates and services which were at any time during the year outstanding for more than 90 days. This should include the names of the councillors.	s 124(1)(b)	yes				
4	Salaries, allowances and benefits of the municipal manager, CFO and every senior manager.	s 124(1)(c)	yes				
c)	Other Compulsory Disclosures (Notes)						
1	List of all municipal entities under the shared or sole control of the municipality.	s 125(1)(a)	yes				
2	Total amount of contributions to organised local government for the year and any outstanding amounts at year end.	s 125(1)(b)	yes				
3	Total amounts paid for the following and whether any amounts were outstanding at year end:	s 125(1)(c)					
	Audit fees	s 125(1)(c)	yes				
	Taxes	s 125(1)(c)	yes				
	Levies	s 125(1)(c)	yes				
	Duties	s 125(1)(c)	yes				

		MFMA	Yes	No	P	N/A	Comments
DISCLOSURE REQUIREMENTS							
	Pension	s 125(1)(c)	yes				
	Medical aid	s 125(1)(c)	yes				
4	In respect of each bank account during the relevant financial year:	s 125(2)(a)					
	Name of bank where account is held	s 125(2)(a)	yes				
	Account type	s 125(2)(a)	yes				
	Opening balances	s 125(2)(a)	yes				
	Year end balances	s 125(2)(a)	yes				
5	Summary of all investments at year end	s 125(2)(b)	yes				
6	Particulars of contingent liabilities at year end	s 125(2)(c)	yes				
7	Material losses and material irregular or fruitless and wasteful expenditure and unauthorised expenditure and whether they are recoverable.	s 125(2)(d)(i)	Yes				
8	Any criminal or disciplinary steps taken as a result of material losses and material irregular or fruitless and wasteful expenditure and unauthorised expenditure.						not clearly indicated
9	Material losses recovered or written off.		yes				
10	Particulars of non-compliance with the MFMA		yes				

S131(1) of MFMA indicates that the municipality must address any issues raised by the Auditor-General in an audit report and that the mayor of a municipality must ensure compliance by the municipality with this subsection.

Further, according to S131(2), the MEC for local government in the province must:

- (a) assess all annual financial statements of municipalities in the province, the audit reports on such statements and any responses of municipalities to such audit reports, and determine whether municipalities have adequately addressed any issues raised by the Auditor-General in audit reports; and
- (b) report to the provincial legislature any omission by a municipality to adequately address those issues within 60 days.

The Department has analysed the adequacy of responses of the municipality's audit action plan and the responses provided are assessed as partially adequate as all queries have not been responded to. Annexure A attached hereto details the gaps identified.

It is envisaged that the municipality will address shortcomings and effect amendments in the Oversight Report to be adopted by 31 March 2023. Upon consideration thereof by the Oversight Committee and Council, you are kindly requested to submit a copy of the Oversight Report to CoGTA together with the Council Resolution. Kindly also review your audit action plan and submit an adequate response plan for further assessment to prevent a report on non-

compliance to the Provincial Legislature by the Department as required in terms of section 131(2)(b) of the MFMA.

5 THE OVERSIGHT REPORT

This Oversight Report is for the financial year ended 30 June 2022.

Chapter 1 – Introduction & Overview

The foreword of the Mayor as well as the Municipal Manager's overview were both noted. Mayor gave assurance that there were numerous measures in place to strengthen the financial position of the Municipality. Together with these assurances, the challenges with billing, grant dependency and low collection rates were also noted.

The Municipal Manager highlighted the municipality's commitment to the strict cost-containment adherence and its pledge to the improvement of service delivery within the district. The institutions focus and measures on the improvement of the Auditor General audit opinion is resolute and committed.

The unsigned Mayor and Municipal manager overview is of a concern.

Chapter 2 – Governance

The Appointment of the Acting MM has somewhat ensured stability within the organisation and all S56 posts were filled for the 2021 2022 financial year. Although the 21.22 Draft Annual Report was made available for public comment, the MPAC urged for more public participation in the Annual Report process.

The strives made in ensuring the strengthening of OSS and DDM were recognized.

Chapter 3 – Service delivery

Concerns over the unachieved status on free basic services and Indigent support were raised. Although the municipality had 1421 beneficiaries, it was advised that there be more efforts made to assist indigent households in this regard.

The Eastern Seaboard Development initiative geared towards addressing Apartheid spatial planning was launched by the President on the 12th of November 2021, the municipality has seen considerable progress in this endeavour with the materializing of Techno Hubs in various districts, one of which being the Ugu District.

The 2021/2022 financial year was one with many challenges, the vast shortfall between the demand and supply of water in the district resulted in the municipality resorting to water-shedding measures in various

areas. The district was also affected by the KZN April floods which saw many difficulties experienced by the organisation and communities.

The unachieved targets were due to several factors including cash flow challenges, work stoppages caused by local business forums, mechanical failures, staff shortages, power outages, vandalism, and ageing infrastructure. MPAC noted an achievement of 60% in the Basic Services Delivery Key Performance Area for 2021/2022 Financial year, although performance is rated as average, the improvement in performance of 17% from the previous financial year is noted.

Chapter 4

Performance for the 2021/2022 financial year was reported at 86%. This represented an improvement of 19% from the previous financial year.

The municipality has been in major financial distress for a number of years, and this has caused severe hinderance to the achievement of service delivery targets.

The municipality had a total of 277 targets for the year 2021/22 for all Key Performance Areas, of those targets, 238 were achieved, leaving a mere 39 targets unachieved for the whole year.

Chapter 5

The municipality after have several years of unfavourable audit opinions, was able to attain an unqualified audit opinion in the 21.22 financial year. Grants were also now noted to be cash-backed.

The budget issues have had a knock-on effect and were mainly due to the municipality not being able to pay off its debts and its inability to collect revenue efficiently and effectively. The appointment of the new CFO on 1 March 2022 has however created more stability and strategic direction within both the BTO department as well as the municipality. Several recovery plans and strategies implemented has yielded positive progress, although the municipality would need to be cautious and exercise considerable restraint when dealing with all financial expenditure.

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.	
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?	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"> ✓ An unqualified audit opinion with management issues. ✓ The objective of the municipality is to sustain an unqualified audit opinion while thriving to achieve a clean audit. ✓ Taking into account the audit report, audit opinion and the views of the audit committee, council considered: <ul style="list-style-type: none"> • To what extent does the report indicate serious or minor financial issues? • To what extent are the same issues repeated from previous audits? • Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? • Has a schedule of action to be taken been included in the annual report, with appropriate due dates? <p>Note that actions taken on audit issues are to be reported to the provincial legislature, the MEC for Cooperative Government & 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>	<p>The municipality is still focused on achieving an unqualified audit opinion.</p> <p>There were material adjustments to the AFS which were corrected during the audit. The plan is to prepare interim AFS and ensure that material adjustments are eliminated in the final AFS.</p> <p>A Corrective Action Plan, annexed hereto and presented to Council and the Audit Committee has been concluded to address findings.</p> <p>A copy has also been submitted to Provincial CoGTA</p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
<p>121 (3)(f) 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 §17(3)(b)). 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>86% 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.</p> <p>KPIs for core services, water and sanitation were achieved at 58%. This translates to the level of services on the ground.</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) 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"> ✓ Details of allocations received from another organ of state in the national or provincial sphere. ✓ Details of allocations received from a municipal, entity or another municipality. ✓ Details of allocations made to any other organ of state, another municipality, or a municipal entity. ✓ Any other allocation made to the municipality under Section 214(1) (c) of the Constitution. <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"> ✓ the information has been properly disclosed. ✓ conditions of allocations have been met; and ✓ that any explanations provided are acceptable. 	<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"> ✓ 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. ✓ 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. ✓ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this. <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.</p> <p>Table 5.2.1 is for declarations made by the municipality.</p> <p>All grants were fully spent in the 21.22 financial year.</p> <p>Allocations to the municipal entities were not fulfilled as agreed due to cashflow challenges.</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"> ✓ the information has been properly disclosed. ✓ conditions of allocations have been met; and ✓ that any explanations provided are acceptable. <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"> ✓ salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind. ✓ 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. ✓ salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager. ✓ contributions for pensions and medical aid. ✓ travel, motor car, accommodation, subsistence and other allowances. ✓ housing benefits and allowances. ✓ overtime payments. ✓ loans and advances, and. ✓ any other type of benefit or allowance related to staff. <p>Council should be satisfied that –</p>	<p>The average salary bill of councillors is R817 333 per month and sits at R9.8 million per annum.</p> <p>Outstanding accounts for councillors for more than 90 days is indicated in note 52 of the AFS there is R35 310 worth of arrears by councillors.</p> <p>Note 28 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>

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	<ul style="list-style-type: none"> ✓ the information has been properly disclosed. ✓ conditions of allocations have been met; and ✓ that any explanations provided are acceptable. <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>	
4. Municipal Performance	Considerations	
<p>The annual performance reports of the municipality and entities.</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"> ✓ Has the performance report been included in the annual report? ✓ Have all the performance targets set in the budgets, SDBIP, service agreements etc., been included in the report? ✓ Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year? <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> <ul style="list-style-type: none"> ✓ To what extent has performance achieved targets set by council? 	<p>APR was submitted timeously to AG on 31 August 2022.</p> <p>YES, the 21.22 APR has been included in the Annual Report in Chapter 4.</p> <p>YES. The SDBIP is an annexure to the AR.</p> <p>YES all information is included in the Annual Performance Report.</p> <p>During the 2021/22 financial year, the Basic Services Key Performance Area had 33 project KPIs in total of which 20 were achieved. There were only 13 unachieved for the financial year. This translated to an achievement of 60%.</p> <p>In the previous financial year performance within the Basic Service Delivery Key Performance Area was a mere 43%. The performance in this crucial KPA has seen an impressive progression of 19% in 1 year.</p>

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	<ul style="list-style-type: none"> ✓ Is the council satisfied with the performance levels achieved? ✓ 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? ✓ What actions have been taken and planned to improve performance? ✓ Is the council satisfied with actions to improve performance? ✓ 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? ✓ Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes? ✓ Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective? ✓ To what extent have actions planned for the previous year been carried over to the financial year reported upon? ✓ 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? <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 21.22 financial year, however judging from the number of community protests, it is clear that the community is not satisfied with the services provided by the district municipality.</p> <p>Performance continues to be reviewed quarterly by council.</p> <p>The S57 managers' performance contracts are made up of the departments' targets.</p> <p>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"> ▪ management continue to cooperate with the internal audit function to improve the current control environment through the timely implementation of recommended actions, ▪ follow up audits be completed on a quarterly basis to prevent recurrence of repeated findings,

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		<ul style="list-style-type: none"> ▪ 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. ▪ 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 ▪ 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. ▪ The audit committee is satisfied that the internal audit function maintained its independence and objectivity throughout the under review. <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 included in action plans to improve performance in the following year?	Although Council has made considerable progress, the concerns of the Committee in respect of the Performance Management System is noted.

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Performance of municipal entities and municipal service providers.	<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>
5. General information	The following general information is required to be disclosed in the annual report.	
Relevant information on municipal entities.	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 21.22 SCTIE Annual Report
The use of any donor funding support.	<p>What donor funding has the municipality received?</p> <ul style="list-style-type: none"> ✓ Have the purposes and the management agreements for the funding been properly agreed upon? ✓ Have the funds been used in accordance with agreements? ✓ Have the objectives been achieved? ✓ Has the use of funds been effective in improving services to the community? ✓ What actions need to be taken to improve utilisation of the funds? 	No donor funding received in the current year.
Agreements, contracts and projects under	Information similar to the details of municipal entities should be provided.	Not applicable.

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Private-Public- Partnerships.	Council should ensure that all details have been supplied.	
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 Chapter 4 gives a detailed report on service delivery. Performance for the 2021 2022 financial year was reported at 86%. This represented an improvement of 19% 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 Capital expenditure on ICT projects is contained in Chapter 3 in Table 3.26.6
Three-year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework.	A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to	Refer to Appendices L for capital expenditure. For this the municipality is grant dependent and 100% of this was spent. Component A in Chapter 3 does indicate where the backlogs.

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	<p>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>Backlogs are moving targets. The National Norms and Standards are revised every few years with the result that backlogs are measured against the latest Norms and Standards. Fifteen to twenty years ago, the standard for rural water consumption was 25 l/p/d. it was then increased to 60 l/p/d and is now 75 l/p/d. The actual consumption is, however, 100 -150 l/p/d, much higher than the current norm. The norm will most probably increase to 120 l/p/d in the future as the rural area becomes more developed.</p> <p>The adopted 6 - Point Plan further addresses what would be needed to eliminate same. The challenge is the capital outlay required.</p>
6. Other considerations recommended		
Timing of reports.	<p>Was the report tabled in the time prescribed?</p> <p>Has a schedule for consideration of the report been adopted?</p>	<p>The Annual Report submitted to Council at its 24 January 2023 meeting, was referred for public 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, 02 February 2023 and via the municipal website on 26 January 2023.</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 of 20 February 2023, no submissions were received.</p>

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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.	<p>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 performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report. 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"> ✓ If so, has a proper evaluation of performance been undertaken? ✓ Was the evaluation approved by council? ✓ 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? ✓ Are the payments justified in terms of performance reported in the annual report? 	<p>A bonus was paid for the 2020.2021 financial year, this was in accordance with legislation after a performance evaluation was conducted and presented to Council.</p>

7. CONCLUSION

The Oversight committee acknowledges the recurrent financial challenges experienced by the municipality and its impact on delivering services. The achievement of the municipality in attaining an Unqualified Audit opinion by the Auditor General is applauded by the Oversight Committee. The Committee is pleased with the appointment of a Chief Financial Officer (CFO) on 1 March 2022. This has improved the overall financial management and reporting of the municipality.

The Oversight Committee commends Council, the Municipal Manager, the Senior Managers and all staff at Ugu District Municipality on the strides made towards good governance and a report well presented. However, much needs to be done in ensuring backlogs are dealt with and performance monitored and reported adequately.

Having performed the following tasks:

- ✓ Reviewed and analysed of the Annual Report.
- ✓ Invited, received, and considered inputs from Councillors on the Annual Report.
- ✓ Considered that no written comments were 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 Report of the Ugu district Municipality for the 2021/2022 Financial Year, adopts the Oversight Report for the 2021/2022 Financial Year, a copy of which is attached to the signed minutes of this meeting.
2. That Council approves the Annual Report of the Ugu district Municipality for the 2021/2022 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


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Chairperson
Cllr MA Manyoni