OVERSIGHT REPORT ON THE 2018/19 ANNUAL REPORT

Metsimaholo
Municipality

TABLE OF CONTENT

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEMBERS:

CLLR M MOLAWA: CHAIRPERSON

CLLR Z.J ZWANE…………………….….….MEMBER

CLLR N.M MTSHALI…………………… MEMBER

CLLR P.M MOKOENA…………………..MEMBER

CLLR A. MOTAUNG…………………….MEMBER

1. PURPOSE

The purpose of this oversight report is to enable the Municipal Public Accounts Committee (MPAC) to discharge its oversight responsibility in considering the 2018/19 Annual Report of Metsimaholo Local Municipality in terms of section 129 of the Municipal Finance Management Act 56 of 2003 (MFMA)

2. BACKGROUND

The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual report of its municipality and municipal entities and to adopt an “oversight report” containing the council’s comments on annual report.

The Municipal Public Accounts Committee (MPAC) is required to perform the responsibilities of the Oversight Committee as envisaged in MFMA Circular No. 32 and Section 129 of the MFMA. The public was afforded an opportunity to make written representations on the Municipality’s Annual Report for 2018/19, however no comments were received from the public with regard to the annual report.

Section 129 of the MFMA provides for the Council to adopt an Oversight Report containing the Council's comments on the Annual Report, which must include a statement whether' the Council:
(i) Has approved the Annual Report with or without reservations;
(ii) Has rejected the Annual Report;
(iii) Has referred the Annual Report back for revision of those components that can be revised

3. PROCESS FOLLOWED IN ANALYSING THE ANNUAL REPORT

3.1 The Annual Report was tabled in Council on 13 February 2020 and the Council referred the report to the Oversight Committee for further consideration and public participation.

3.2 The Annual Report was submitted to the Provincial CoGTA, Provincial Treasury and the Auditor General of South Africa.

3.3 Community participation
An invitation to the public to submit comments on the Annual Report was publicised in municipal notice boards and libraries. The annual report was also

made available for scrutiny on the municipal website, libraries and municipal offices in all the towns within Metsimaholo Local Municipality as per Section 127(5) (a) of Municipal Systems Act and Section 21A and B of the MFMA.

3.4 The Annual Report was submitted to the Municipal Public Accounts Committee (MPAC) wherein the following areas for correction and updating on the Annual Report were identified:

- Chapter 3 information on basic services (water, sanitation, electricity, roads and storm water) had incomplete information, which need to be completed
- Appendices information was also seen to be incomplete and some appendix (Appendix A, H and O) were not provided with information and need to be updated with the required information.

3.5 Furthermore, the MPAC has prepared an Oversight Report on the 2018/19 Annual Report which will be tabled in Council in the next Council sitting as required by section 129 of the MFMA.

4. CONCLUSIONS AND RECOMMENDATIONS BY THE COMMITTEE

4.1 THE REPORT CONCLUDES BY REFLECTING MATTERS OF CONCERN NOTED BY THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Audit report by the Auditor General

The MPAC has a serious concern with regard to a “Qualified” Audit opinion that the Municipality has received again, as it is an indication that the municipality has regressed when compared to the previous years. The basis for the qualified audit opinion is a results of the following among others:

4.1.1 Property plant and equipment (PPE)

The AG was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the municipality did not maintain an adequate asset register and could not provide me with supporting records for disposals. The AG was unable to confirm property, plant and equipment by alternative means. Consequently, the AG was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R1 390 096 253 (2018: R1 359 565 341) in note 11 to the financial statements. In addition, the municipality did not correctly classify various items of property, plant and equipment between the classes of assets as reflected in note 11, in accordance with GRAP 17, *Property, plant and equipment.* The AG was unable to determine the full extent of the misclassifications as it was impracticable to do so.

The municipality also did not disclose property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Infrastructure projects which have been finalised as at 30 June 2019 were incorrectly included in the closing balance of work-in-progress as reflected in the reconciliation of work-in-progress in note 11 to the financial statements. Consequently, work-in-progress was overstated by R123 353 761.

4.1.2. Investment property

The AG was unable to obtain sufficient appropriate audit evidence for investment property as the municipality did not maintain an adequate asset register and could not provide lease agreements. The AG was unable to confirm investment property by alternative means. Consequently, the AG was unable to determine whether any adjustments were necessary to investment property stated at R295 200 836 (2018: R295 221 476) in note 10 to the financial statements. In addition, the municipality incorrectly classified properties that do not meet the definition of investment properties as outlined in GRAP 16, *Investment property.* Consequently, investment property is overstated by R58 004 887. There was also a resultant impact on the surplus for the period and on the accumulated surplus.

4.1.3 Irregular expenditure

The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements and made overtime payments not in line with the municipality's overtime policy, which were not disclosed. The AG was unable to determine the full extent of the understatement of irregular expenditure stated at R58 040 885 in note 51 to the financial statements as it was impracticable to do so.

4.2 RECOMMENDATIONS BY THE MUNICIPAL PUBLIC ACCOUNTS COMMITTE

- That the action plan to address the Auditor General's findings be developed
- Implementation of the action plan be monitored and the progress thereof be reported upon frequently.
- Payment of creditors within 30 days be adhered to, to avoid incurring of interest by the municipality.
- Irregular, fruitless and wasteful expenditure be investigated and reported to Council.

5. COUNCIL RESOLUTIONS

That Council having fully considered the 2018/19 Annual Report of the municipality and representations thereon:

(i) The Oversight Report be adopted;
(ii) The Annual Report be approved without reservations.
(iii) The Annual Report and the Oversight Report be submitted to the Provincial Legislature as required by the MFMA 56 of 2003.

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Cllr M. Molawa
Chairperson MPAC: Metsimaholo Local Council

ANNEXURES

ANNEXURE A:

PUBLIC NOTICE FOR PUBLIC COMMENTS ON THE ANNUAL REPORT 2018/2019

METSIMAHOLO

LOCAL MUNICIPALITY	**60, Sasolburg, 1947**
PLAASLIKE MUNISIPALITEIT	**(016) 973 8300**
LEKGOTLA LA MOTSE	**(016) 973 2191**

PUBLIC NOTICE

PUBLICATION OF THE 2018/19 DRAFT ANNUAL REPORT

Notice is hereby given in terms of section 127 (2) of the Municipal Finance Management Act, act 56 of 2003 read together with section 21 (a) of the Municipal Systems Act, act 32 of 2000, that Metsimaholo Local Municipality has tabled the 2018/19 Draft Annual Report on the 13th of February 2020, whereby the report has been referred to the Municipal Public Accounts Committee (MPAC) for oversight and public participation.

In light of the above, members of the community and relevant stakeholders are invited to make written representations (comments) on the 2018/19 Draft Annual Report which will be made available at all Municipal Offices and Libraries as well as on the Municipal website: www.metsimaholo.gov.za.

Enquiries regarding the 2018/19 Draft Annual Report may be directed to the Office of the Municipal Manager (IDP/PMS Unit), Mr Sello Mokoena/ Mrs. Boniswa Motsitsi available at

Tel: (016) 973 8356/8348

Email: sello.mokoena@metsimaholo.gov.za / boniswa.motsitsi@metsimaholo.gov.za