

HARRY GWALA DISTRICT MUNICIPALITY



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2019/2020 OVERSIGHT REPORT

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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 MPAC of Council would provide the appropriate mechanism in which Council could fulfil its oversight responsibilities.

The MPAC's primary role will be 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 in which Council have delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non performance 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 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 Municipal Public Accounts Committee 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.

The following members were assigned to serve in the Harry Gwala District Municipal Public Accounts Committee on 20 September 2016:

- ✓ Councillor SV Zulu – Chairperson
- ✓ Councillor WB Dlamini
- ✓ Councillor BL Marncé
- ✓ Councillor L Ndzimande
- ✓ Councillor TG Soni

4.2 Authority & Power

The MPAC is delegated to conduct meetings and to hold public hearings hear and receive 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 was submitted to Council at its first meeting of 30 March 2021, was referred to MPAC to prepare an Oversight Report. The community was advised through the print media on the availability of the Annual Report and were invited to submit representations on the report.

The Annual Report was available at all municipal libraries and offices and was also placed on the www.harrygwalmunicipality.gov.za. The Annual Report was submitted to the Auditor-General, Provincial Treasury and the Department of Co-operative Governance and Traditional Affairs.

The 2019/2020 Annual Report was tabled at a Council meeting on 30 March 2021 as per Circular 104 on the extension to all the annual report related processes due to COVID-19 pandemic. An advert was thereafter issued in the local newspaper dated 2 April 2021 and to date *(no)* submissions were received.

5. THE OVERSIGHT REPORT

This Oversight Report is for the financial year ended 30 June 2020.

The Annual Report was presented to Council on 30 March 2021. It was further presented to the Municipal Public Accounts Committee on 20 May 2021. The MPAC requested for an opportunity to go through the Annual Report at which they must e-mail their comments to the MPAC secretariat for further discussion and finalization of an Oversight Report through a Special MPAC meeting proposed to sit on 24 May 2021.

CoGTA Checklist

CoGTA conducted their own analysis of the 2019/2020 Annual Report. Communiqué received on 14 May 2021, indicated that the **Annual Report was adequately prepared and in compliance with Section 121 of the Municipal Finance Management Act, Act 56 of 2003 and Section 46 of the Local Government Municipal Systems Act, Act 32 of 2000.**

CoGTA Checklist

CoGTA conducted their own analysis of the 2019/2020 Annual Report as follows:

ANNUAL REPORTING CHECKLIST - MUNICIPALITIES							Annexure B
DATE:	14/05/2021						
MUNICIPALITY: Harry Gwala District	Prepared by:	NP					Mthembu
FINANCIAL YEAR: 2019/2020	Reviewed by:	NP					Mthembu
CAPACITY:							
		Legislation/ Guidelines	Yes	No	N/A	Page	Comments
	ANNUAL REPORT COMPONENTS	Legislation/ Guidelines	Yes	No	N/A	Page	Comments
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-General's report on the municipality's performance report?	s121(3)(d)	Yes				

ANNUAL REPORTING CHECKLIST - MUNICIPALITIES							Annexure B
DATE:	14/05/2021						
MUNICIPALITY: Harry Gwala District	Prepared by:	NP					Mthembu
FINANCIAL YEAR: 2019/2020	Reviewed by:	NP					Mthembu
CAPACITY:							
		Legislation/ Guidelines	Yes	No	N/A	Page	Comments
	ANNUAL REPORT COMPONENTS	Legislation/ Guidelines	Yes	No	N/A	Page	Comments
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)	Yes				
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)	Yes				
10	Does the annual report contain a response to the audit report on the AFS?	s121(3)(g)	Yes				
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				

Other:

	ANNUAL REPORT COMPONENTS	Legislation/ Guidelines	Yes	No	N/A	Page	Comments
14	HAVE THE FOLLOWING APPENDICES BEEN DISCLOSED?	NT Circular 63					
a.	Councillors, Committee allocation and Council attendance		Yes				
b.	Committee and Committee		Yes				

ANNUAL REPORT		Legislation/ Guidelines	Yes	No	N/ A	Page	Comments
	purpose						
c.	Third Tier Administrative structures		Yes				
d.	Functions of municipality / entity		Yes				
e.	Ward Reporting			N			Not Applicable for the District Municipality as it does not have Ward Committees hence recorded as Local Municipality functionality
f.	Ward Information			N			Not Applicable for the District Municipality as it does not have Ward Committees hence recorded as Local Municipality functionality
g.	Recommendations of the Municipal Audit Committee		Yes				
h.	Long Term contracts and Public Private Partnerships		Yes				
i.	Municipal Entity / Service Provider Performance schedule			N			This has been addressed and included in the report.
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				

ANNUAL REPORT COMPONENTS		Legislation/ Guidelines	Yes	No	N/A	Page	Comments
m(ii)	Capital Expenditure Upgrade/Renewal Programme -		Yes				
n.	Capital Programme by project Current year		Yes				
o.	Capital Programme by project by ward Current year		Yes				
p.	Service connection backlogs at Schools and Clinics			N			This has been addressed and included in the report.
q.	Service backlogs experienced by the community where another sphere of government is responsible for service provision			N			COGTA has recommended that in future, even though this is a local municipality function, the district can source information from the locals for inclusion in the next annual report.
r.	Declaration of loans and grants made by the municipality		Yes				
s.	Declaration of returns not made in due time under MFMA s71		Yes				
t.	National and Provincial Outcomes for Local Government		Yes				

Addressing the inclusion of the appendices as per COGTA assessment:

Appendix I: Municipal Entity / Service Provider Performance schedule



<i>Assessment Key</i>	
Good (G)	<i>The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract</i>
Satisfactory (S)	<i>The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract</i>
Poor (P)	<i>The service has been provided below acceptable standards</i>

Department/ Unit	Name of external Service Provider	Service provided in terms of the SLA	Performance Target/ Time - frames	Comment	Assessment of Service Providers Performance		
					G	S	P
Finance	Lateral Unison Insurance Brokers (Pty) Ltd	Short Term Insurance	Contract - Ongoing	No service rendered from the service provider or claim made by agency for the month of August 2019	-	-	-
Finance	Camelsa Consulting Group	Integrated Municipal Financial Management System	Contract - Ongoing	The Service Provider assisted the Agency in performing its duties and their performance was good and performed as per SLA	✓		
Facility	SOS Web Services cc	Hosting HGDA Emails and Website	Contract - Ongoing	The service rendered was good and performed well as per SLA.	✓		
Facility	Southcoast Risk Management	Supply and Delivery of Stationery	Contract -Ongoing	No service rendered by the service provider for the month of June 2020	-	-	-
Facility	Skonies Electrical Services	Plumbing and Electrical maintenance	Contract - Ongoing	No service rendered by the service provider for the month of June 2020	-	-	-
Facility	Adeva Security	Rendering of Security Services at HGDA	Contract - Ongoing	The service provider did an excellent job and has performed as per SLA and above. The service is good and happy with the company performance.	✓		
Facility	Nashua Maritzburg	Rental of Photocopying Machine	Contract – Ongoing	The service rendered was excellent and performed well as per SLA.	✓		
Facilities	Melomsandi (Pty) Ltd	Supply, Delivery and Installation of Carport	Once-off	The duration of this project was a once-off and this project was completed within the stipulated time and delivered everything according to the specification and they performed well	✓		
Facilities	Retrolex 208 cc	Supply and Delivery of Software Antivirus and Microsoft Office	Once-off	The duration of this project was a once-off and this project was completed within the stipulated time and delivered everything according to the specification and they performed well	✓		

LED Unit	Amaseko Construction	Supply and Delivery of Blockmaking Material	Once-off	The goods were received in good order and were delivered within the specified time as per specification	✓		
LED Unit	Melomsandi (Pty) Ltd	Supply and Delivery of Fencing Material	Once-off	The goods were received in good order and were delivered within the specified time as per specification	✓		
Tourism Unit	Stop Nosensi Trading	Supply and Delivery of Woodwork Material	Once-off	The goods were received in good order and were delivered within the specified time and according to specification	✓		
Office of the CEO	Ilungelo Lami Consulting Professionals	Appointment of Panel of service providers for packaging and sourcing of funding for high impact projects	Contract -Ongoing	The Agency has not received any funding from the service provider for the month of June 2020.	-	-	-
Office of the CEO	Ithunga Development NPO	Appointment of Panel of service providers for packaging and sourcing of funding for high impact projects	Contract -Ongoing	The Agency has not received any funding from the service provider for the month of June 2020.	-	-	-
Office of the CEO	Kelotlhoko Consulting Services	Appointment of Panel of service providers for packaging and sourcing of funding for high impact projects	Contract -Ongoing	The Agency has not received any funding from the service provider for the month of June 2020.	-	-	-
Office of the CEO	Masakhekulunge Project Managers	Appointment of Panel of service providers for packaging and sourcing of funding for high impact projects	Contract -Ongoing	The Agency has not received any funding from the service provider for the month of June 2020.	-	-	-
Office of the CEO	Mzuzu Group (Pty) Ltd	Appointment of Panel of service providers for packaging and sourcing of funding for high impact projects	Contract -Ongoing	The Agency has not received any funding from the service provider for the month of June 2020.	-	-	-

Appendix P: Service connection backlogs at Schools and Clinics

Associated services facility	Number of facilities	Facilities with Adequate Services	Facilities with Inadequate Services
Sanitation Provision			
Educational Facilities			
Primary School	277	95	182
Secondary School	81	31	50
Tertiary	1	0	1
Combined	140	21	119
Special Needs	2	2	0
Other	0	0	0
Health Facilities			
Hospitals	8	8	0
Health Centres	24	14	10
Clinics	35	7	28
Other	0	0	0
Water Provision			
Educational Facilities			
Primary School	277	164	113
Secondary School	81	60	21
Tertiary	1	0	1
Combined	140	95	45
Special Needs	2	2	0
Other	0	0	0
Health Facilities			
Hospitals	8	8	0
Health Centres	24	14	10
Clinics	35	7	28
Other	0	0	0

Appendix Q: Service backlogs experienced by the community where another sphere of government is responsible for service provision

Local Municipalities' backlog makes reference to Provincial Government projects as per their IDPs.

Internal Audit Checklist

The Harry Gwala District Municipality's Internal Audit Unit also conducted its own analysis on behalf of the Audit Committee. There were areas of concern that were raised as follows:

During our audit of the Annual Report for year 2019/2020 we noted that there were discrepancies in the Annual Report provided to the Internal Audit Unit, where we are referring to the previous years instead of the year 2019/2020. The tables below serve as example:

NO.	SUB-HEADINGS	COMPONENTS
1	2018/2019 Actual Budget Allocation	Component B
2	Comments on the Performance of the Office of the Municipal Manager in 2018-2019 Financial Year	Component E
3	Harry Gwala district municipality councillors attendance records July 2018- June 2019	Appendix A
4	Appendix N: Capital programme by project current year (Expenditure 2018/2019)	Appendix N
5	Appendix O: Capital programme by project by ward current year (Expenditure 2018/2019)	Appendix O

The Internal Audit Unit also noted that the Annual Report was not proofread nor reviewed before submission to them hence they noted discrepancies.

Further noted that the documents listed below were not on the Annual Report submitted to Internal Audit Unit for review:

- Audited financial statements
- 2019/2020 Auditor-General's Report
- Audited Annual Performance Report
- Recommendations of the Audit Committee

These have all been attended to and corrected.

Chapter 1 – Municipal Function, Population and Environmental Overview

Municipal Public Accounts Committee / Comments

The MPAC was satisfied with the content provided in this Chapter, and were pleased that the Committees sat and were functional. The MPAC noted that the Municipality was busy with the IDP public consultation process.

Chapter 2 – Governance

Municipal Public Accounts Committee / Comments

The MPAC was satisfied with the content provided in this Chapter, and further appreciated the Accounting Officer's leadership as it drove the Municipality towards the right direction. The MPAC noted the positive comments received in the other meeting held on 20 May 2021.

The MPAC was however concerned on the matters of emphasis as raised by the Office of the Auditor General on issues of irregular expenditure, and requested that these be investigated, looking at matters relating to non-compliance and recommending that consequence management be undertaken to rectify these.

Chapter 3 – Service Delivery Performance Report (Performance Report Part I)

Municipal Public Accounts Committee / Comments

The MPAC was pleased with the Annual Performance of the Municipality, however, noting that when looking at the first and second quarter there was a lack of consistency, but has since improved in the third and fourth quarter. The Departments, which did not achieve their targets was concerning.

Chapter 4 – Organizational Development Performance (Performance Report Part II)

Municipal Public Accounts Committee / Comments

The MPAC was aware that the Annual Financial Statements were submitted, performance targets were met by the Municipality.

Chapter 5 – Financial Performance

Municipal Public Accounts Committee / Comments

The MPAC noted that the Municipality's budget was unfunded and that the financial performance was good.

Chapter 6 – Auditor General's Audit Findings

Municipal Public Accounts Committee / Comments

The MPAC noted that as a result of the Auditor General findings, an Action Plan was prepared in order for the municipality to monitor progress and correct those findings.

In closing, the MPAC noted an improvement from the previous years and were happy with the content of the Annual Report presented before the Committee.

6. ANNUAL REPORT CHECKLIST

HARRY GWALA DISTRICT MUNICIPALITY INTERNAL AUDIT UNIT ANNUAL 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	Responses/ Comments
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	Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. 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 new accounting standards for municipalities. Have the required standards been met – refer audit report and report of audit committee for views on this?	AFS submitted to Auditor general.
121(3)(b) The Auditor-General's reports on financial statements of the municipality	Is the audit report included in the annual report as tabled? If not, when will the audit report be tabled? What are causes of the delays? What actions are being taken to expedite the report?	2019/2020 Auditor-General report concluded and issued to the municipality.
/121(4)(h) Any explanations that may be necessary to clarify issues in connection with the financial statements	The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS. Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?	2019/2020 AFS tabled to the Audit committee and issued to Auditor General for audit purposes.
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?	Information on assessment on arrears on municipal taxes and service charges has been included.

1. Financial Matters – Annual Financial Statements – Section 121 (3) MFMA	Financial reporting matters to be considered	Responses/ Comments
121(3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	<p>The conclusions of the annual audit may be either:</p> <ul style="list-style-type: none"> • An unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; • A qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or • The auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed • Adverse opinion; indicating that a municipality's financial statements are misrepresented, misstated, and do not accurately reflect its financial performance and health. <p>The objective of the municipality should be to achieve an unqualified audit opinion.</p> <p>Taking into account the audit report, audit opinion and the views of the audit committee, council should consider:</p> <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 MECs for local government and finance to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MECs.</p>	2019/2020 Auditor General action plan included in the annual report.
2. Financial Matters – Annual Financial Statements – Section 121 (3) MFMA	Financial reporting matters to be considered	Responses/ Comments
121(3)(f) An assessment by the municipality's accounting officer of the	The budget of the municipality must contain measurable performance	2019/2020 information for revenue collection

<p>municipality's performance against measurable objectives for revenue collection from each revenue source and for each vote in the approved budget</p>	<p>objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s17 (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>Council should comment and draw conclusions on performance and explanations provided.</p>	<p>included.</p>
<p>121(3)(i)(k) Information as determined by the municipality, the entity or its parent municipality</p>	<p>Review any other information that has been included in regard to the AFS.</p>	<p>2019/2020 AFS for HGDM and consolidated Financial Statements included.</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 in regard to 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>2019/2020 Recommendations of the Audit committee included on the annual report.</p>
<p>3. Disclosures – Allocations received and made – Section 123-125 MFMA</p>	<p>Considerations</p>	<p>Responses/ Comments</p>
<p>123(1)(a) Allocations received by and made to the municipality</p>	<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?</p> <p>Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</p> <p>Does the audit report or the audit committee recommend any actions?</p> <p>Council should comment and draw</p>	<p>2019/2020 Information on conditional grants received by the municipality was provided in the Annual report.</p>

	conclusions on information and explanations provided.	
121(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 • Also 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>	2019/2020 Information in relation to outstanding debtors and creditors of the municipality and entities included.
121(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</p>	Information on the use of 2019/2020 allocations was included.

	<p>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 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>	
<p>4. Disclosures in notes to AFS</p>	<p>Considerations relating to section 124</p>	<p>Responses/ Comments</p>
<p>Information relating to benefits paid by municipality and entity to councilors, directors and officials</p>	<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, councilors 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 councilors; • 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> <ul style="list-style-type: none"> • The information has been properly disclosed; • Conditions of allocations have been met; and • That any explanations provided 	<p>2019/2020 Audited AFS included on the Annual report.</p>

	<p>are acceptable.</p> <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>	
5. Municipal Performance	Considerations	Responses/ Comments
The annual performance reports of the municipality and entities	<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.</p> <p>Questions that may be considered are:</p> <p>Has the performance report been included in the annual report?</p> <p>Have all the performance targets set in the budgets, SDBIP, service agreements etc., been included in the report?</p> <p>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> <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>To what extent has performance achieved targets set by council?</p> <p>Is the council satisfied with the performance levels achieved?</p> <p>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?</p> <p>What actions have been taken and planned to improve performance?</p> <p>Is the council satisfied with actions to improve performance?</p> <p>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?</p> <p>Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</p> <p>Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</p>	<p>2019/2020 Annual Performance report was included in the Annual report.</p>

	<p>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> <p>Council should comment and draw conclusions on information and explanations provided.</p>	
Audit reports on performance	<p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annual. Have the recommendations of internal audit been acted on during the financial year?</p> <p>Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?</p>	The audit by Auditor-General for 2019/2020 financial year has been concluded and the report has been issued to the municipality.
6. General information	The following general information is required to be disclosed in the annual report	Responses/ Comments
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.	Information on the functions of the entity was included in the Annual Report.
The use of any donor funding support	<p>What donor funding has the municipality received?</p> <p>Have the purposes and the management agreements for the funding been properly agreed upon?</p> <p>Have the funds been used in accordance with agreements?</p> <p>Have the objectives been achieved?</p> <p>Has the use of funds been effective in improving services to the community?</p> <p>What actions need to be taken to improve utilization of the funds?</p>	Not Applicable.
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 summarized. This should cover all services whether	Information on service delivery performance included.

	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.	
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.	Information on Long term contracts provided.
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 summarized. Council should comment and draw conclusions on the information provided.	Information on the ICT systems purchased and the effectiveness of the systems in 2019/2020 was included in the Annual report.
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 address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. 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.	Three year capital plan for addressing infrastructure backlogs included.
7. Other considerations recommended		Responses/ Comments
Timing of reports	Was the report tabled in the time prescribed? Has a schedule for consideration of the report been adopted?	The report has been tabled , as per the MFMA circular, all municipalities were given an extension on submission till end Oct.
Oversight committee or other mechanism	What mechanisms have been put in place to prepare the oversight report? Has a schedule for its completion and tabling been adopted?	Schedule for completion and tabling oversight report provided.
Payment of performance bonuses to municipal officials	Refer to section 57 of the MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal	N/A, as there were no bonuses paid.

	<p>manager after the end of the financial year and only after the 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.</p> <p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?</p> <p>If so has a proper evaluation of performance been undertaken?</p> <p>Was the evaluation approved by council?</p> <p>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?</p> <p>Are the payments justified in terms of performance reported in the annual report?</p> <p>Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.</p>	
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7. CONCLUSION

The MPAC commends Council, the Municipal Manager, the Senior Managers and all staff at Harry Gwala District Municipality on the strides made towards good governance.

Having performed the following tasks:

- ✓ Reviewed and analysed the Annual Report;
- ✓ Considered that *no* written comments were received on the Annual Report from the public consultation process;
- ✓ Received and considered comment from the Department of Cooperative Governance and Traditional Affairs;
- ✓ Received and considered Audit Committee and Internal Audit views and comments on the annual financial statements and the performance report;

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

RESOLVED TO RECOMMEND

1. That Council having fully considered the Annual Report of the Harry Gwala District Municipality for the *2019/20* Financial Year, **adopts** the Oversight Report for the *2019/2020* Financial Year.
2. That Council approves the Annual Report of the Harry Gwala District Municipality for the *2019/2020* Financial Year **without any reservations**.
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.

ANNEXURES

Annual Report

Annual Financial Statements

Minutes of the MPAC held on 24 May 2021