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TO : COUNCIL

FROM: MPAC

DATE : 31 MARCH 2024

SUBJECT: SUBMISSION OF MPAC OVERSIGHT REPORT ON THE DRAFT ANNUAL REPORT FOR THE FINANCIAL YEAR 2022/2023

1. PURPOSE

The purpose is to submit the findings, comments and recommendations of the oversight report for Thulamela Local Municipality Municipal Public Accounts Committee (MPAC) on the 2022/2023 draft annual report for the financial year 2022/2023 to council for approval.

2. BACKGROUND

The draft annual report of Thulamela Local Municipality was tabled and adopted by council on the 31st January 2024 by means of council resolution number OC 15/01/2024. Municipal Public Accounts Committee, being the oversight committee, was handed the report on the 31st January 2024 for extensive scrutiny and analysis. As a result, MPAC undertook to scrutinize and verify the contents of the draft annual report on behalf of the council.

3. LEGISLATIVE MANDATE

Members of MPAC were guided by the following legislation when scrutinizing the report

- In terms of section 121(1) of the MFMA 56 of 2003, every municipality and every municipal entity must for each financial year prepare an annual report in accordance with chapter 12. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and the municipal entity under the municipality's sole or shared control in accordance with section 129
- In terms of section 129(1) of the MFMA 56 of 2003, the council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council-



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- (a) Has approved the annual report with or without reservations
- (b) Has rejected the annual report; or
- (c) Has referred the annual report back for revision of those components that can be revised

• Circular 32 of the MFMA prescribes that after the annual report is tabled an oversight report needs to be compiled from the evaluation and analysis of annual report, and together with the inputs from the community, form part of the final annual report to be approved by council before 31 March each year.

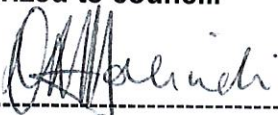
4. ANALYSIS OF THE DRAFT ANNUAL REPORT

In order to arrive at its findings, MPAC visited various projects, interviewed managers and senior managers of various departments including the municipal manager through written questions and was followed by fruitful public participation and public hearing. Amongst others, various departments made written submission including the municipal manager. Where applicable, necessary documentary evidence were requested and retrieved from relevant directorates. The Auditor-General report dated 30 June 2023, also played a crucial role in compilation of this report; however, as MPAC is a committee which operates introspectively, the Auditor-General's report dated 30 June 2023 was also taken into consideration.

5. RECOMMENDATIONS

MPAC recommends that council approve the final annual report for 2022/2023 financial year in terms of section 129 of the MFMA without reservations.

Authorized to council.



Cllr Malindi OT

MPAC Chairperson



Date



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THULAMELA LOCAL MUNICIPALITY

OVERSIGHT REPORT 2022/2023 FINANCIAL YEAR

CHAIRPERSON REMARKS

The adoption of the oversight report by the council is an important step in terms of section 129(1) of the MFMA in exercising oversight in the municipality. The work of MPAC to this municipality has increased accountability and transparency in all functions that the municipality performs which inspires a sound financial management practice which will subsequently result in better service delivery to the community of Thulamela municipality.

As MPAC is in position to table a credible oversight report on the 2022/2023 annual report, credit goes to all MPAC members who have all contributed immensely to ensuring that the oversight report is credible. It is with sense of pride that our municipality for the past ten consecutive financial years has received unqualified audit opinions. However, MPAC wants to see the municipality to obtain clean audit report with no matter of emphasis raised by the Auditor-General in the 2023/2024 financial year.

I would like to commend the Mayor, Cllr Athongozwidivha Sarah Rambuda on her political leadership and her Executive Committee. I thank the late Chief Whip of the council Cllr Malada T.P (May His soul rest in peace), The Acting Chief Whip Cllr Makungo T.G and I would also commend the Municipal Manager Mr Makumule M.T, for his administrative leadership of the municipality. I would also like to commend the CFO Mr Mufamadi A.C who demonstrated sound financial management of the municipality. I would also take this opportunity and extend my gratitude to all section 79 chairpersons, all councilors, all traditional tribal councils, senior managers and all officials for their dedication and contribution to see that Thulamela is accounted among the functional municipalities in the Republic. I must emphasize that all councilors together with their ward committees must discuss the draft annual report for 2023/2024 with their communities to maximize community participation.

In conclusion I would like to thank the Speaker of Council, Cllr Mutheiwana F.A for the support and guidance and Senior Manager Corporate Services Mrs Todani N.A, Acting Senior Manager Corporate Services Mr Sikhwiwihlu M.N, Senior Public Participation Officer Mr Ramaano M.R for ensuring that there is an effective and efficient Public Participation and Public Hearing on the draft annual report 2022/2023, MPAC Researcher Mr Maphanda R.L and MPAC Coordinator Mr Munyai T.B, to all of you I say thank you for the support you gave to MPAC. Lastly thank you to the Internal Audit, Risk Management and Audit committee for your immense contribution to the governance of the institution.

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COMPOSITION OF MPAC COMMITTEE

The following are the members of MPAC committee of Thulamela Municipality

1. Cllr Malindi O.T (MPAC Chairperson)
2. Cllr Muligwe M
3. Cllr Munyai T.T
4. Cllr Matshomo T.T
5. Cllr Nekhavhambe T.S
6. Cllr Liphadzi T.S
7. Cllr Nelushi T.A
8. Cllr Mmbi N.M
9. Cllr Mmbengeni R
10. Cllr Ramulifho H.B
11. Cllr Begwa F.M
12. Cllr Mafunzwaini R.T
13. Cllr Nemaranzhe K.
14. Vhafuwi Vho- Tshifularo Jaygee (Traditional leader)
15. Maphanda R.L (MPAC Researcher)
16. Munyai T.B (MPAC Coordinator)

4. METHODOLOGY

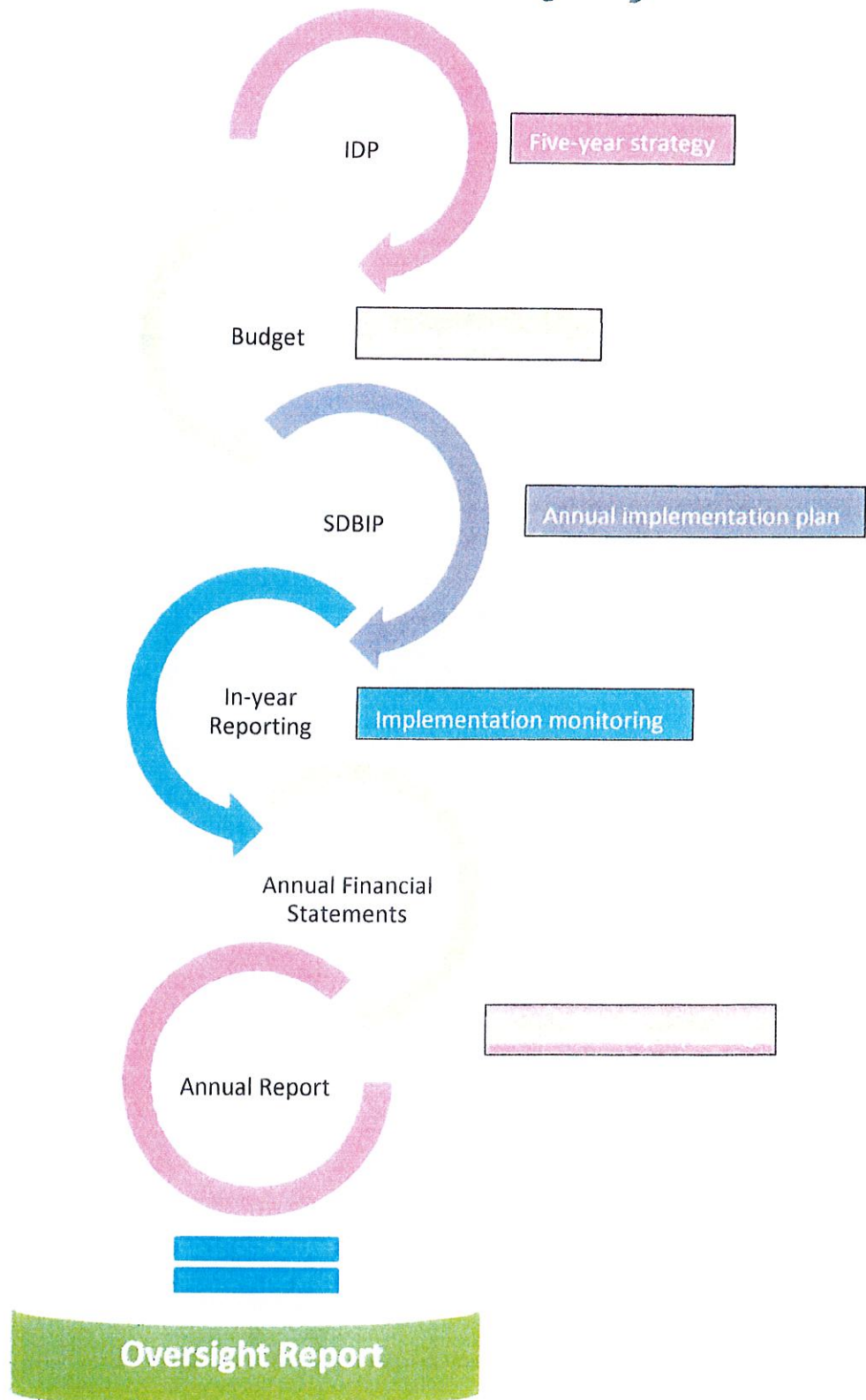
The methodology and approach adopted by the committee was to:

- Use the approved Annual Report as the primary source of reference.
- Invited the Auditor-General, Provincial Treasury, Provincial Coghsta and SALGA to attend meetings of the committee to provide perspective on the annual report and on the audit report
- Use the framework as provided by National Treasury in Circular No. 32 (Annexure B), circular 63 and circular 93 of the MFMA which also guided the Committee during the evaluation, verification and oversight process
- Peruse all base documents thoroughly and identifying apparent anomalies and omissions
- Do project site visits to selected sites and projects
- Invite public comments and inputs through the interaction with traditional leaders.
- Conduct interviews with Office Bearers the Municipal Manager and other Senior Managers in order to provide additional information on identified matters and or concerns raised by the committee

The approach adopted by the Committee was based on the premise that oversight is a process and not an event that stops once the Council had approved the Oversight Report, but rather the beginning of the next phase for the next Oversight Report.

The oversight process is illustrated in Figure 1 on the next page

The Accountability Cycle



address institutional challenges at the municipality, this despite having an action plan place which was being monitored (The municipality has a Risk Management Unit and Risk Management Committee with an independent Chairperson)

- (a) If the Risk Management Committee is meeting and advising the Accounting Officer on matters of Risk Management, why is the Accounting Officer not implementing the recommendation? considering that in page 33 the risk management committee resolutions indicate 97% achievement.

RESPONSE

Recommendations made by the Risk Management Committee (RMC) are being implemented. Out of 36 resolutions made by the RMC in 2022-23 financial year, 35 were implemented and 1 was outstanding up to 30 June 2023.

The resolution which was outstanding related to the Legal Services section required to develop POPIA document which has since been developed and approved by the Council. See attached Council resolution.

- (b) What measures the Accounting Officer will be putting in place as to ensure that there is proper analysis of the root cause, the risk and the consequences therefore? considering the information on risk management from page 32 to 35 of the annual draft report on failures to mitigate the identified risks.

RESPONSE

The municipality reviewed the strategic risk register during the 2024 strategic planning session where risks or challenges were identified. Activities and actions to mitigate the identified risks were also discussed and agreed upon.

During the fourth quarter of 2023-24 financial year, the risk management section will coordinate the review of the operational risk registers considering the report of the Auditor General and the gaps and challenges reflected in quarterly risk management reports of departments to the Risk Management Committee.

Each senior manager has a key performance indicator on risk management. The performance of senior managers on risk management is assessed every quarter to ensure accountability.

- (c) What measures will the Accounting Officer be putting in place as to ensure that risk management is embedded in the institutional culture of the municipality that is embraced by all employees not only top management?

RESPONSE

In terms of the approved Risk Management Implementation Plan, the risk management unit, through the Chief Risk Officer, is expected to conduct awareness campaigns on risk management to ensure that risk management is embedded into the institutional culture.

New employees are inducted on municipal policies which include risk management. These activities were done in 2022-23 financial year. See attached agenda and attendance registers.

Risk champions are also appointed in each department to ensure that risk management reports form part of the departmental meetings where middle and junior staff members take part.

3. Question 3

With reference to the Auditor-General's report 2022/2023 item 7 indicates material loss as a result of impairment amounting to R 63 740 637 in respect of doubtful receivables.

- (a) The municipality has a revenue enhancement strategy that has clearly failed or is not implemented or is not practically implementable or is not effective, As the Accounting Officer what other practical measures will you implement to improve the collection?

RESPONSE

The material impairment of R 63 740 637 was as a result of change in audit methodology wherein we are now expected to provide for government debt not consistent with the previous year's assessment, our impairment policy has since been updated to make provision for government debt impairment. Meaning for next financial year we will not have that audit paragraph on material impairment.

The municipality has taken a resolution to fast track the implementation or application of Electricity License which will be used as a tool to enforce payments. We are currently engaging with an Independent Electricity/utility management company who has

Currently, the indigent register is updated. The service provider for vetting accuracy of those qualifying to be indigents has been appointed. Targets for beneficiaries are thus available.

(c) In the year under review did the community benefit?

RESPONSE

During the year under review over 600 households did benefit in terms of free basic electricity.

5. Question 5

With reference to the Auditor-General's report 2022/2023 item 37 indicates that reasonable steps were not taken to prevent irregular amounting to R34 290 238 as disclosed in note 46 to the annual financial statements, as required by section 62(1)(d) of the MFMA

(a) In terms of the MFMA section 62(1)(d) as the Accounting Officer must have prevented this expenditure, why did you fail to prevent it? Also, must consider that in terms of section 171 of the MFMA this may be a financial misconduct in your part.

RESPONSE

The irregular expenditure was identified by AGSA due to the change in their audit methodology where such irregular expenditure was not identified as such by AGSA in the previous financial years which has led to us acknowledging and disclosing such expenditure retrospectively to comply with section 32 of the MFMA.

Management is currently putting measures in place to limit the extent of irregular expenditure by not renewing the expired contracts that is in respect to Vodacom.

The only other service provider which is Telkom, management will look into the fact that Telkom as a government entity to regularize the contract where SCM processes allow for no competitive bidding

User departments are encouraged to start the procurement processes at least six months prior to expiration of contracts to ensure continuity of essential services.

- (g) On page 20, of the Draft Annual Report, under Town Planning services you indicated the 100% of grants rights applications processed within 18 working days. Can you please give convert percentage into numbers?

RESPONSE

894 deeds of grant rights applications were processed within 18 working days.

- (h) Still on page 20 under Basic services, MPAC would like to clear explanation the table.

RESPONSE

See attached table

- (i) The Mayor has indicated that the municipality has been receiving the unqualified audit opinion for 8 consecutive years, what measures is the Accounting Officer putting in place to ensure that the municipality obtain a clean audit?

RESPONSE

The municipal manager is currently fast tracking the appointment of PMS manager and filling up the PMS management unit as per amended organogram that seeks to capacitate PMS because PMS related audit findings have been the core issue preventing us from getting clean audit in the past.

Previous audit had other financially related findings which were once off due to the change in audit methodology and correcting prior year issues which were only identified during in the year in which AFS were prepared e.g. restatement of corresponding figures in respect of stand incorrectly sold when it was in fact registered under UNIVEN.

It is important to note that the 2021-22 audit action plan had addressed all the issues satisfactorily that no issues recurred during the year under review with exception of PMS issues.

The audit steering committee has been scheduled to meet biweekly to oversee the implementation of the audit action plan which will assist in addressing issues raised by AGSA.

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- (j) Can you please explain what led to the municipality to regress from the previous Audit opinion?

RESPONSE

The audit opinion has not regressed; we are one of the 18 municipalities in the province whose opinion has remained unchanged as per AGSA report on 2022/2023 audit. We did, however, have additional paragraphs which had no impact on the current audit opinion due to a change in audit methodology, those findings are once off and are not expected to recur in the ensuing financial year.

- (k) On page 32. During the financial year under review the risk maturity level of Thulamela municipality improved. Can you explain the improvement and why is this statement contradicting with AG' finding?

RESPONSE

The Risk Management Maturity Assessment is a subset of National Treasury's Financial Management Capability Maturity Model (FMCMM). It isolates the relevant risk management components of the FMCMM and provides a simplified and consistent assessment methodology for institutions to determine the risk management maturity.

During 2022-23 financial year the municipality was rated 2.97 over 3, the rating improved to 2.98 in 2023-24 financial year, an improvement of 0.01.

The challenge leading to the municipality is the Business Continuity Planning which is being attended to by the Chief Risk Officer.

The municipality does not have capacity for BCP internally. It has been budgeted for the current financial year (2023-24) and assistance will be sought from a service provider after completion of the procurement process.

See attached summary of the report from National Treasury's FMCMM system.

Where a municipality does not receive a clean audit but unqualified opinion with gaps identified, all those gaps are reported as ineffectiveness of risk management in the municipality.

- (l) On page 34 of the Draft Annual Report, on the table provided, you classified your table into three blocks, namely Activity, Challenges and Mitigation measures. Can you kindly provide MPAC with challenges in the 2023/24 Risk management implementation plan?

RESPONSE

The 2022/2023 Risk Management Implementation Plan was developed and approved by the Accounting Officer outlining key activities for the implementation of Enterprise Risk Management for the financial year.

The Risk Management Unit has completed 93% (25 out of 27) of activities which are in the approved 2022/2023 Risk Management Implementation Plan against a fourth quarter target of 100%. The 2 activities which were not completed during the quarter under review are:

1. *Support ICT on the municipal Business Continuity Planning (BCP);*

The municipality does not have capacity for BCP internally. It has been budgeted for the current financial year and assistance will be sought from a service provider after completion of the procurement process. Specifications have been developed.

2. *Support the combined assurance model*

Processes not yet finalised but the combined assurance terms of reference, framework and plan are in place. The documents will be discussed with management and relevant stakeholders and be shared with the RMC.

See attached Fourth Quarter Risk Management Committee Report submitted to accounting officer and Audit and Performance Committee (APC) by the chairperson.

- (m) On page 35 block 2 of the table provided, how did the municipality do with regards to the targeted campaign on payments of accounts by EXCO and please outline the strategies to be used?

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Targeted campaigns are conducted during the imbizos, Ward Committee meetings, IDP Representative Forum, Mayor / Mahosi forum and Pastors Forum. Traditional authority visits, leaflets, and radio interviews.

- (n) On page 40 its indicated that the municipality plans to apply for electricity distribution licence, and it was previous indicated that the municipality has already applied for the licence, what failed on the previous application and when do you intend to apply for the new application?

RESPONSE

Eskom objected to our application (see attached response from ESKOM.)

The application will be done in the current financial year before the end of June 2023.

- (o) On page 42, kindly unpack the

- (i) Information provided on the table with regards to the annual target and target, please compare with the information for 2021/22 Financial year.
- (ii) Kindly give an explanation as to why the number of employees under job level 13-15 has gone down and further indicate if these changes have no impact in service delivery?

RESPONSE

The reason for the number of employees under Job Level 13-15 for Employee: Solid Water Management Services (Community) section has been going down between 2021/22 financial year and 2022/23 financial year due to retirement, death, and resignation of the employees. however, most of the vacated posts have been advertised & filled in the current financial year to fill up the gap and thus no negative impact on service delivery.

- (p) On page 50, under cost of construction/maintenance on both tarred roads and gravel roads it indicated that no road was reworked, re-gravelled nor maintained. Does this mean that nothing was done during the financial year under review?

RESPONSE

The cost for repairs and maintenance of surface roads has been reported in the annual report however the re-gravelling was not reported because it was budgeted under OPEX. We have since acknowledged the input from AGSA to include reporting of such

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(re-gravelling) in the next annual report cycle. (see the attached list of re-gravelled roads during the year under review.)

(q) On page 76, paragraph 4, can you please indicate the alternative grave sites that have been identified?

RESPONSE

The Shayandima and surrounding areas are allowed to use Thohoyandou (Mbaleni) Cemetery as their alternative burial site. The process of identifying another burial area is ongoing and will be made available after the necessary legislative requirements have been met.

WJ

7. KEY COMMENTS ON THE DRAFT ANNUAL REPORT AND PUBLIC HEARING

Circular 32 of the MFMA prescribes that after the annual report is tabled an oversight report needs to be compiled from the evaluation and analysis of the annual report, and together with the inputs from the community, Auditor-General and other stakeholders form part of the final annual report to be approved by council before 31 March 2024(Circular no. 104). In addition, the circular proposes that responses to questions in the written representations be included in the oversight report. This section summarizes the key public hearing comments arising out of the discussions at meeting of the oversight committee public hearing.

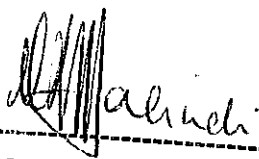
The following table illustrates the oversight process followed by MPAC when scrutinizing

Activity	Date	Venue
Scrutinizing the draft annual report and formulation of the question to the MM	05-09 February 2024	Magoabasklof Hotel Tzaneen
Public participation	05 March 2024	George Phadagi Town Hall
	06 March 2024	Thovhela Nethengwe Mulala Town Hall
Consideration of responses from the Municipal Manager and preparing for the public hearing	13 March 2024	Thulamela Boardroom
Public Hearing	19 March 2024	George Phadagi Town Hall

8. Recommendations

- MPAC recommends to council that ward councilors and ward committee members must maximize the participation on the draft annual report in the communities by discussing it in the community meetings and submit their inputs to Speaker's Office
- MPAC recommends to council that the Municipal Manager must implement consequence management to official who transgress the Acts, Regulations, Policies and Procedures that the Municipality operate within.
- MPAC recommends to council that the 2022/2023 oversight report be made public in terms of section 129(3) of the MFMA and submitted to the Limpopo Legislature in terms section 132(2) of the MFMA.
- MPAC recommends that council approve the final annual report 2022/2023 in terms of section 129 of the MFMA without reservations

AUTHORIZATION TO COUNCIL



Cllr Malindi OT
MPAC Chairperson

26/03/2024
Date