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1. INTRODUCTION

In terms of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), each municipality must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

- To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;
- To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity.

The Annual Report 2017/2018 was tabled in Council on the 30th of January 2019.

The final step in the reporting process is for Council to consider the Annual Report in the light of the findings contained in an Oversight Report. This is in terms of Section 129 of the MFMA. The Oversight report is compiled by the Municipal Public Accounts Committee (MPAC) as established by Council. The MPAC represents a separation of powers between the Executive Committee and the administration and is aimed at enhancing accountability and good governance.

The Oversight Report is prepared using guidelines prepared by the National Treasury as per MFMA Circular 32. It attempts to address comments and submissions made by the community and stakeholders, as well as the observations and recommendations of the MPAC.

2. BACKGROUND ON THE 2017/18 ANNUAL REPORT

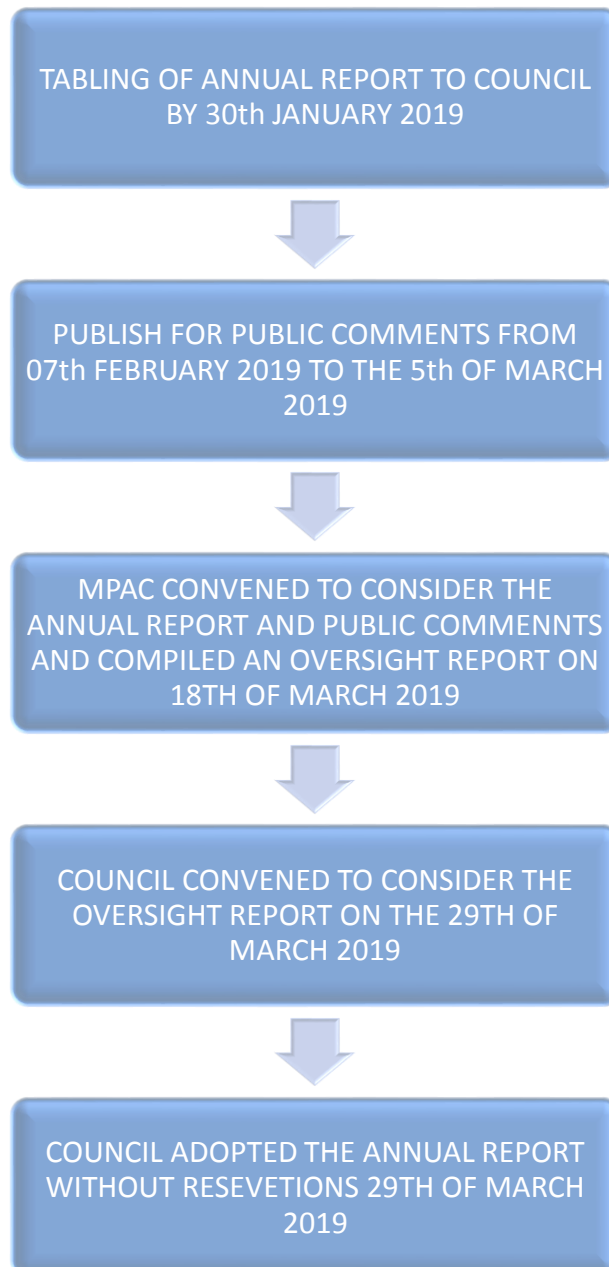
Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that; "

1. *Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. 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 of any municipal entity under the municipality's sole or shared control in accordance with section 129.*
2. *The purpose of an annual report is –*
 - (a) *To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;*

- (b) To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
 - (c) To promote accountability to the local community for the decision made throughout the year by the municipality entity.
3. The annual report of the municipality must include-
- (a) The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section 126 (1);
 - (b) The Auditor General report in terms of section 126 (3) on those financial statements.
 - (c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
 - (d) The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.
 - (e) An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges.
 - (f) An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each sources and for each vote in the municipality's approved budget for the relevant financial year;
 - (g) Any explanation that maybe necessary to clarify issues that in connection with the financial statements;
 - (h) Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d)
 - (i) Any information as determined by the municipality;
 - (j) Any recommendations of the municipality's audit committee; and
 - (k) Any other information as may be prescribed.
4. The Annual Report of a municipal entity must include-
- (a) The annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2) on those financial statements;
 - (b) The Auditor General's audit report in terms of section 126 (3) on those financial statements;
 - (c) An assessment by the entity's accountable officer of any arrears on those financial statements;
 - (d) An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality;
 - (e) Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);
 - (f) Any information as determined by the entity or its parent municipality;

- (g) Any recommendations of the audit committee of the entity or its parent municipality; and
(h) Any other information as may be prescribed."

It is against this background that the annual report in respect of the 2016/2017 financial year was submitted to Council on the 31st of January 2018 as per the following process flow;



Accordingly, notice was given in terms of section 21 of Local Government: Municipal Systems Act, N0. 32 of 2000 read with section 127 of the Local Government: Municipal Finance Management Act, 56 of 2003 that the Annual Report was open for comments and or inputs by the community and stakeholders by the 08 February 2019. The Annual Report was placed at the municipal offices libraries, and the municipal website www.umzinyathi.gov.za .

The comments received were circulated for responses by management and referred to the MPAC for consideration at its meeting on the 18th of March 2019. The meeting convened on the said date to finalise the Oversight Report for submission to Council.

3. FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS 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 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.

4. COMPOSITION OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Councillor SX Xaba : Chairperson

Councillor BP Madondo

Councillor RN Ngubane

Councillor CZ Mbatha

Councillor PM Ngobese

Councillor BS Chambule

Councillor TM Mahaye

Summary of comments received from stakeholders and responses thereto.

The public comments received from COGTA and the general public within the public submission period is attached as Annexure A.

For the purpose of this report, the late submission is not considered by the MPAC, but Management has a duty to deal with issues raised and address them accordingly, and comments received have been addressed.

Annexure A

Comments from the public and stakeholders as well as responses from management on issues raised is indicated below:

Date	Name	Comments	Management response
	Umzinyathi District municipality community	No comments received	None
	Business people	No comments received	None
	Municipal stakeholders	No comments received	None
04 March 2019	COGTA	Annexure A	Annexure A
	Provincial Treasury	No comments received	None
07 February 2019	Auditor General	Annexure	Annexure A

5. 2017/18 ANNUAL REPORT CHECKLIST FOR CONSIDERATION

Find the comments and responses on the table below;

Information required to be included in the Annual Report	Council Considerations and Questions	Responses/Comments
1. Financial Matter – Annual Financial Statements – Section 121 (3) MFMA	Financial report matters to be considered	Yes, this has been done. Chapter 1&6 of the Annual Report.
Section 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.	Yes, this has been done. Chapter 6 of the Annual Report. The AFS are included as annexure A of the Annual Report
Sections 121 (3) (a), 121 (4) and 121 (4) (b) of the MFMA	This applies to the AFS of municipal entities which this municipality does not have.	UMzinyathi District municipality does not have any municipal entity.
Section 121 (3) (e) of the MFMA is an assessment by the accounting officer on any arrears on municipal taxes and	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?	Yes

service charges, including municipal entities.	Is any other action required to be taken?	
Section 121 (3) (g) of the MFMA talks to particulars of any corrective action taken or to be taken in response to issues raised in the audit reports.	<p>The conclusion of the annual audit are:</p> <ul style="list-style-type: none"> ✓ An adverse audit opinion which means that the AFS are not acceptable. ✓ The objective of the municipality is to achieve an unqualified audit opinion with no matters. ✓ Taking into account the audit opinion and the views of the audit committee, council considered the following: <ul style="list-style-type: none"> ○ To what extent does the report indicate serious financial issues? ○ To what extent are 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 been taken and included in the annual report with appropriate due date? 	<p>An Audit Action Plan was developed and submitted to both Auditor General, Cogta KZN.</p> <p>Chapter 8 of the Annual Report.</p>
Section 121 (3) (f) of the MFMA suggests that an assessment by the municipality's accounting officer of the municipality's performance against the performance objectives for revenue source and for each vote in the approved budget.	<p>The budget of the municipality must contain measurable performance objections for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s 17 (3) (b). the accounting officer must include these objectives in the annual 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>Yes</p> <p>The municipality will strive to make improvements in terms of service delivery in line with the set targets for 2018/19 financial year, as some of the targets were not met during the year under review, and explanations of non-</p>

	<p>What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget?</p>	<p>achievement and improvement measures are indicated in the Annual Performance Report.</p> <p>Chapter 5 of the Annual Report.</p>
<p>Section 121 (3) (j) and Section 121 (4) (g) of the MFMA. 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 regards to the AFS been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations? Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<p>The Audit Committee report, Chapter 9 is integrated in the Annual Report.</p>
<p>2. Disclosures – Allocation received and made- Section 123 – 125 of the MFMA</p>	<p>Considerations</p>	<p>Yes</p> <p>Chapter 6 and Annexure A of the Annual Report.</p>
<p>Section 123 (1) (a) of the MFMA. Allocations received by and made to the Municipality.</p>	<p>The report need to 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>Yes, allocations have been disclosed.</p> <p>Chapter 6 and Annexure A of the Annual Report.</p>

	<p>Does 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 action?</p>	
<p>Section 123 (1) (c) of the MFMA. Information in relation to the use of allocations received.</p>	<p>Section 123 of the MFMA and the MFMA guidance circular No 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. 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. Council should be satisfied that-</p>	<p>Yes, this has been done. Comments of the Auditor General and the views of the audit committee have been used to determine the accuracy and appropriateness of the information.</p> <p>Chapter 6, 7, 9 and Annexure A of the Annual Report.</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>	
Section 125 (1) of the MFMA. 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 amounts owed to the municipality are disclosed on the Annual Financial Statements.</p> <p>Chapter 6 and Annexure A of the Annual Report.</p>
3. Disclosures in notes to Annual Financial Statements (AFS)	Considerations relating to section 124	Chapter 6 and Annexure A of the Annual Report.
Information relating to benefits paid by the 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 	<p>Yes, the information on the benefits paid by the municipality to councillors, management and officials was included in the notes to the Annual Financial Statements.</p>

	<p>time were outstanding for more than 90 days, including the names of those councillors.</p> <ul style="list-style-type: none"> ✓ Salaries allowances and benefits of the municipal manager, CEO of municipal entity, CFO and every senior manager. ✓ Contribution for pension 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 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>Comments from the Auditor General and Audit Committee were considered.</p> <p>Chapter 6, 7, 8, 9 and Annexure A of the Annual Report.</p>
4. Municipal Performance	Considerations	
The annual performance reports of the municipality and entities	<p>Section 46 of the Local Government: Municipal Systems Act 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 take 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? 	<p>The 2017/18 Annual Performance Report was submitted to the Auditor General with the Annual Financial Statements at the end of August 2018, for auditing purposes.</p> <p>The 2017/18 Annual Performance Report has</p>

	<ul style="list-style-type: none"> ✓ Have all the performance targets set in the budget, 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? ✓ 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? 	<p>also been consolidated as part of the 2017/18 Annual Report which was submitted to Council for approval on the 30th of January 2019.</p> <p>A comparison of the actual performance against set targets is made on the budgets and SDBIP.</p> <p>Actions to be taken as part of the improvement measures are also indicated on the Annual Performance Report. Chapter 4 of the Annual Report.</p>
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	<p>✓ 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 municipal manager and are these satisfactory?</p> <p>Council should comment and draw conclusions on information and explanations provided.</p>	
<p>Audit reports on performance.</p>	<p>Section 45, Local Government: Municipal Systems Act requires that the Auditor General must audit the result 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 years?</p>	<p>The Auditor General audited the 2017/18 Annual Performance Report and there were few queries raised by the Auditor General, and mostly were relating to verifiability of performance information mainly the beneficiary lists of water and sanitation projects.</p> <p>The Municipality has prepared an action plan which will assist in dealing with the issue raised by the Auditor General so that they don't re-occur at the end of the 2018/19 financial year.</p> <p>This is done in chapter 8 of the Annual Report.</p>

Performance of municipal entities and municipal service providers.	<p>The annual report of the municipality should provide 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>	UMzinyathi District does not have any municipal entities.
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 entities.	UMzinyathi District does not have any municipal entities.
The uses 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? 	None

	✓ What actions need to be taken to improve utilisation of the funds?	
Agreements, contracts and projects under Private-Public-Partnerships.		None
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.	A service delivery summary which sets out the overall performance under strategic objectives of the municipality has also been included in chapter 3 and 5 of the Annual Report
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 correctly supplied.	The municipality has long term contracts on infrastructure projects which relate to water and sanitation provision. Details of the long term contracts are indicated on the Annual Financial Statements available as an annexure of the Annual Report.
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.	Yes. Chapter 2 of the Annual Report.

	Details of any future IT proposals should be summarized. Council should comment and draw conclusion on the information provided.	
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.	Yes. Chapter 3 of the Annual Report
6. Other considerations recommended		
Timing of reports	Was the report tabled in the time prescribed? Has a schedule for consideration of the report been adopted?	Yes
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?	The mechanism used to prepare the Oversight Report are outlined in the beginning of this report.
Payment of performance bonuses to municipal officials.	Refer to Section to Section 57 of Local Government: Municipal Systems Act 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 evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The bases upon which performance is evaluated for payment of	There have been no performance bonuses paid for the 2016/17 financial year, the Senior Managers that were assessed did not qualify .The Annual Assessments for the 2017/18 financial

	<p>bonuses should be reconciled with municipal performance reported in the annual report.</p> <p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?</p> <ul style="list-style-type: none"> ✓ If so has a proper evaluation of performance been undertaken? ✓ Was the evaluation approved by council? <p>/Does the performance evaluation align and reconcile with the performance report in the annual report?</p> <ul style="list-style-type: none"> ✓ If not, what reasons have been advanced for non-reporting of the basis of evaluation in the annual report? ✓ Are payment justified in terms of performance report in the annual report? 	<p>year will be undertaken in March 2019, to determine if Section 54 and 56 Managers qualify for the performance bonus.</p>
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6. CONCLUSION

The MPAC acknowledges with appreciation the improvement in the quality of the annual reporting made by management. The MPAC is also pleased to note that all components of the Annual Report are included as is required in terms of Section 121 (3) of the Local Government: Municipal Finance Management Act, Act No. 56 of 2003 as follows;

- The annual financial statements of the municipality;
- The Auditor General report;
- Report of the Audit Committee;
- The annual performance report of the municipality prepared by the municipality in terms of Section 46 of the Local Government: Municipal Systems Act;
- The Auditor General's audit report in terms of Section 45 (b) of the Local Government: Municipal Systems Act;
- An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;
- Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports;
- Any explanation that maybe necessary to clarify issues that are in connection with financial statements.

It is concerning that whilst some of the aspect have been covered in terms of addressing them in the action plan for the Auditor General Report, the municipality is still struggling to achieve an unqualified audit opinion with no issues. This is mainly because of the staff turnover and the low morale among staff members in the Budget and Treasury Office. The municipal has been operating with acting officials as Municipal Manager and Chief Financial Officer for too long. It is pleasing that most of the issues raised in the previous audit opinion have been cleared. It is imperative, however, that in order to achieve a clean audit goals of the municipality, that the Audit Response Action Plan is monitored by all relevant governance structures including the MPAC on monthly basis.

The issue of debt management remain a huge challenge for the municipality, specifically due to a very low payment factor and the escalation of outstanding debt. The MPAC has noted with concern this aspect and has requested for radical change in the area of debt management by management. There is also a need to review the Revenue Enhancement Strategy and monitor its implementation more regularly to ensure the future financial viability and sustainability of the municipality. Monthly reports are also required as this is an intervention area which should also be a standing item on all statutory committees, including all portfolio committees as it is deemed

relevant for all departments to fulfil its responsibility in so far as revenue enhancement is concerned.

The acting and vacancy in top management as well as middle management positions especially that of the Chief Financial Officer is rather disturbing in view of the fact that it has taken too long to resolve the CFOs suspension.

The MPAC would like to thank the Mayor, Executive Committee members and Management as well as all officials for tirelessly ensuring progressive service delivery by completing many infrastructural and social development project that improved the lives of the previously disadvantaged communities and maintaining and improving on service delivery standards elsewhere.

Further thanks goes to the Speaker of Umzinyathi District Municipality, Councillors, Amakhosi the Auditor General, the Audit Committee, COGTA, Provincial Treasury and National Treasury for their support and cooperation in completing this annual report oversight process. The MPAC strongly believes that Umzinyathi District Municipality and its community will realise substantial and tangible benefits if a similar process is consistently followed in the years to come. The MPAC is grateful for the opportunity to be of service to Umzinyathi District Municipality and its citizens.

7. RESOLUTION AND STATEMENT

1. That in terms of section 129 of the Local Government: Municipal Finance Management Act 56 of 2003, Council having fully considered the Annual Report of Umzinyathi District Municipality for 2017/2018 Financial Year, adopts the Oversight Report for the 2017/2018, a copy of which is attached.
2. That in terms of section 129 (1) (a), Council approves the Annual Report of Umzinyathi District Municipality for 2017/2018 Financial Year without any reservations.
3. That the submission as received and included to the Oversight Report, and the related management responses be noted, and that this be communicated to the relevant stakeholders according;
4. That it be noted that the late submission of any comment not be considered for the purpose of the Oversight Report, but that Management respond to the parties accordingly on the relevant and pertinent issues raised.
5. That the legitimacy of all organisation be verified through the IDP representative forum in future.

6. That the management response plan to the Auditor General report be a standing item on the MPAC agenda and progress reports be submitted to the MPAC accordingly.
7. That the Umzinyathi District Municipal Oversight Report 2017/2018 be made public in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act 56 of 2003.
8. That the Oversight Report 2017/2018 be submitted to the Provincial Legislature in accordance with Section 132 (2) of the Municipal Finance Management Act 56 of 2003.

Signed by MPAC Chairperson

Cllr SX Xaba

ANNEXURE A

Below are the comments that have been received from the Auditor General on the 7th of February 2019 as well as the Managements responses to these comments;

No.	Auditor General Comments		Management Comments
	Paragraph number and heading	Comment	
1.	Table 2, list of policies	Tariff policy, credit control and debt collection policy and budget policy duplicated	Finding is noted and has been corrected accordingly.
2.	Table 2, list of policies	Numbering incorrect, moves from number 3 to number 40	Finding is noted and has been corrected accordingly.
3.	Table 3 and table 4	Consider right aligning the amounts / figures	Finding is noted and has been corrected accordingly.
4.	Employment status (Formal and informal	Frist sentence in row 1 and 2 are incomplete. There is an error message.	Finding is noted and has been corrected accordingly.
5.	Graph 8: Employed and discouraged work seekers	Bottom of page. Consider moving the heading to the next page	Finding is noted and has been corrected accordingly.
6.	1.4 Financial health overview	Consider right aligning the amounts	Finding is noted and has been corrected accordingly.
7.	Page 30, 1.6 Statutory annual report processes	Bottom of page. Consider moving the heading to the next page	Finding is noted and has been corrected accordingly.
8.	Water Provision, second paragraph	First sentence in 2nd paragraph: the word "seventeen" is missing. Or consider removing the brackets in (17)	Finding is noted and has been corrected accordingly.
9.	Umzinyathi district municipality : projects report....., bottom of page	Page number ommitted	Finding is noted and has been corrected accordingly.

10.	Umzinyathi district municipality: projects report.....	Consider removing the decimals / cents and right align the amounts	Finding is noted and has been corrected accordingly.
11.	3.4 - Summary of funding for infrastructure sources	WSIG grant - actual expenditure incorrect. Should be R42 144 550 per audited AFS	Finding is noted and has been corrected accordingly.
12.	3.7 - Road asset management system	Consider removing the decimals / cents in the amounts	Finding is noted and has been corrected accordingly.
13.	3.10 - Free basic services	Consider removing the decimals / cents in the amounts	Finding is noted and has been corrected accordingly.
14.	3.11 - Spatial planning	Bullet point 1 : "TO" to be "to". To write down the meaning of "LMS" in full first time as there is no page describing the acronyms	Finding is noted and has been corrected accordingly.
15.	3.11 - Spatial planning	Bullet 4. To write down the meaning of "PDA" and "SPLUMA" in full first time as there is no page describing the acronyms	Finding is noted and has been corrected accordingly.
16.	3.12 Local economic development. Paragraph 4	Paragraph 4, last row : "s" in s78 should be in CAPS "S"	Finding is noted and has been corrected accordingly.
17.	Agri Parks programme at bottom of page	Bottom of page. Consider moving the heading to the next page	Finding is noted and has been corrected accordingly.
18.	Table with financial and performance information	Consider removing the decimals / cents and right align the amounts	Finding is noted and has been corrected accordingly.
19.	3.3 Component C	The heading "disaster management" should be number 3.1 not 3.13	Finding is noted and has been corrected accordingly.
20.	Figure 4 -8 : Progress of Disaster centre - from bottom of page 65	Figure 4, -8 should be figure 1-5	Finding is noted and has been corrected accordingly.

21.	4.2 Occupation and gender equity analysis	Repeat header from page 68	Finding is noted and has been corrected accordingly.
22.	Salaries paid to staff - first table on the top	Consider right aligning the amounts	Finding is noted and has been corrected accordingly.
Chapter 5: Organisational development performance			
23.	2.1 Provision of water to households.....	Actual for 2017/18 should be 404 as per the annual performance report submitted on 31 August. Cannot make adjustments now as the audit report has already been issued and the misstatement has been included in the audit report. Management should have made adjustments before issuing th audit report	Finding is noted and has been corrected accordingly.
24.	2.2 Provision of sanitation to households	Actual for 2017/18 should be 1319 as per the annual performance report submitted on 31 August. Cannot make adjustments now as the audit report has already been issued and the misstatement has been included in the audit report. Management should have made adjustments before issuing th audit report	Finding is noted and has been corrected accordingly.
25.	2.4 Water quality monitoring.....	Change face to yellow as audit finding was that we could not confirm accuracy of 96% reported as actually achieved	Finding is noted and has been corrected accordingly.
26.	2.5 Undertaking of operations and maintenance	Actual for 2017/18 should be 3-6 hours as per the annual performance report submitted on 31 August. Cannot make adjustments now as the audit report has already been issued and the misstatement has been included in the audit report. Management should	Finding is noted and has been corrected accordingly.

		have made adjustments before issuing th audit report	
27.	2.5 Undertaking of operations and maintenance	The face should be changed to yellow colour	Finding is noted and has been corrected accordingly.
28.	3.2 No. of farmer production suport units.....	Actual for 2017/18 should be 1 as per the annual performance report submitted on 31 August. Cannot make adjustments now as the audit report has already been issued and the misstatement has been included in the audit report. Management should have made adjustments before issuing the audit report	Finding is noted and has been corrected accordingly
29.	3.2 No. of farmer production support units.....	The face should be changed to green colour as the achievement was met	Finding is noted and has been corrected accordingly.
30.	3.3 Date of adoption of LED strategy	Actual for 2017/18 should be 30 September 2018 as per the annual performance report submitted on 31 August. Cannot make adjustments now as the audit report has already been issued and the misstatement has been included in the audit report. Management should have made adjustments before issuing the audit report	Finding is noted and has been corrected accordingly.
31.	3.5 No. of jobs created through	Actual for 2017/18 should be "0" as per the annual performance report submitted on 31 August. Cannot make adjustments now as the audit report has already been issued and the misstatement has been included in the audit report. Management should	Finding is noted and has been corrected accordingly.

		have made adjustments before issuing th audit report	
32.	3.5 No. of jobs created through	The face should be changed to red colour as the target was not achieved	Finding is noted and has been corrected accordingly.
33.	Chapter 5: Organisational development performance	Pages are upside down	Finding is noted and has been corrected accordingly.
34.	Chapter 5: Organisational development performance	The first column for "No." should be extended	Finding is noted and has been corrected accordingly.
35.	AFS	Consider increasing the font size as current one is too small. Accounting policies and notes to the financial statements have been omitted	Finding is noted and has been corrected accordingly.
36.	6.5 Grants register	MIG grant - closing balance incorrect. Not as per revised audited AFS	Finding is noted and has been corrected accordingly.
37.	6.5 Grants register	RBIG grant - Closing balance incorrect. Not as per revised audited AFS	Finding is noted and has been corrected accordingly.
38.	Chapter 7	Consider removing prior year audit report.	Finding is noted and has been corrected accordingly.
39.	Chapter 7.2. Current year audit report, paragraph 1	Paragraph 1 - please include page numbers where indicated as "xx"	Finding is noted and has been corrected accordingly.
40.	Chapter 7.2. Current year audit report, paragraph 23	Table - please include page numbers where indicated as "xx"	Finding is noted and has been corrected accordingly.

41.	Chapter 7.2. Current year audit report, paragraph 33	Second row - "not evidence" should be "no evidence"	Finding is noted and has been corrected accordingly.
42.	Chapter 7.2. Current year audit report, paragraph 35	Third row - "achievements" should be "achievement". Please remove the "s"	Finding is noted and has been corrected accordingly.
43.	Chapter 7.2. Current year audit report, paragraph 37	First row - please include page numbers where indicated as "xx"	Finding is noted and has been corrected accordingly.
44.	Chapter 7.2. Current year audit report, paragraph 37	Fourth row - "paragraphs 28 to 39" should be "paragraphs 26 to 35"	Finding is noted and has been corrected accordingly.
45.	Chapter 8 : Action plan	No action included. The page is blank	The AG Action Plan has been included in the Annual Report.
46.	Chapter 9 : Report of the audit committee	Audit committee report not included. The page is blank	The Report of the Audit Committee has been included in Annual Report.
47.	Chapter 10 : Oversight Report by the MPAC	MPAC oversight report not included. The page is blank	The Oversight Report by the MPAC will be finalized by the end of March as required by the MFMA.
48.	Chapter 11 : Service providers performance	Tables, column 7 "service level agreement signed" - not indicated "yes" or "no".	Finding is noted and has been corrected accordingly.
49.	Chapter 11 : Service providers performance	Tables, column 5 "tender amount" - Consider removing the decimals / cents in the amounts and right align them	Finding is noted and has been corrected accordingly.

Below are the comments that have been received from the KZN Cogta on the 4th of March 2019 on the Draft Annual Report ,the comments below were addressed accordingly prior to submitting the document to Council on the 30th of January 2019,the updated document was submitted to KZN Cogta on the 6th of March 2019.



cogta

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Cooperative Governance and Traditional Affairs
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BUSINESS UNIT: MUNICIPAL FINANCE

Enquiries: Imibuzo: Naniso:	R Ranjith	My Reference: Inkomba Yami: My Verwysing:	Ann Report	E-mail: Rajesh.ranjith@kzncogta.gov.za	Date: Usukuc Datum:	28 Feb 2019
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**The Municipal Manager
Umzinyathi Municipality
P O Box 1965
Dundee
3000**

Dear Sir

ANALYSIS OF THE REPORTING AND DISCLOSURE REQUIREMENTS IN THE 2017/18 ANNUAL REPORT

1. Thank you for submitting your 2017/18 annual report to the Department as required by section 127(5) of the MFMA. Please note that the MFMA does not provide for a draft annual report. Municipalities are required to table an annual report and deficiencies are corrected through the oversight on the annual report process.
2. The Department has perused your annual report in terms of the in terms of the reporting and disclosure requirements as set out in Chapter 12 of the Municipal Finance Management Act (No.58 of 2003) (MFMA), section 46 of the Local Government Municipal Systems Act (No. 32 of 2000) (MSA) and MFMA Circular 63.
3. The report is incomplete as there are no insertions in Chapters 8, 9 and 10.

The analysis highlights that the following items are not included in your annual report:

- 3.1 An assessment of the performance against measurable performance objectives for revenue collection by the Accounting Officer as required by s121(3)(f) of the MFMA;
- 3.2 An assessment by the Accounting Officer on any arrears on municipal taxes and services charges as required by s121(3)(e);
- 3.3 Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports s121(3)(g);
- 3.4 A comparison of the performances referred to in paragraph 46(1)(a) with the targets set for and performances in the previous financial year as required by section 46(1)(b);

BACK TO BASICS: SERVING OUR COMMUNITIES BETTER **B&B**

- 3.5 Measures that were taken or are to be taken to improve performance as required by MSA s48(1)(c);
 - 3.6 The audited annual financial statements are not included in the annual report as required by s121(3)(a);
 - 3.7 There appears to be no report from the Audit Committee as required by s121(3)(j) of the MFMA.
- 4. Not all the appendices and as required by MFMA Circular 63 were attached to the annual report.
 - 5. In terms of section 129(1) of the MFMA your municipal council is required to consider the annual report of the municipality and its entity and adopt an Oversight Report on the annual report by no later than 31 March 2019.

Kindly ensure that the Oversight Report, adopted by your council, addresses the deficiencies highlighted above.

Section 129(1) (a) – (c) of the MFMA further requires Council to adopt the oversight report containing Council's comments which must include a statement whether the Council:

- (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 for those components that can be revised

We draw your attention to the fact that the review of your Audit Response Plan is a separate process undertaken in terms of section 131(2)(a). In this regard our comments would be submitted prior to the adoption of the Oversight Report. This may require amendments to be made to this section of the Annual Report as the audit response plan is not included in the Annual Report.

- 6. The above comments provided by CoGTA: Municipal Finance are from a compliance perspective; it is not exhaustive nor are they prescriptive.

Please note that the Performance Management Unit in CoGTA may wish to provide additional assessment based on the performance related issues that are contained in the annual report.

7. The municipality is strongly encouraged to consider our comments together with the comments from other stakeholders including the Provincial Treasury as this would contribute towards an improved annual report and assist in the ensuing budget and IDP cycle.

Yours faithfully,



H/B KRISHNAN
CHIEF DIRECTOR: MUNICIPAL FINANCE

DATE : 2019-03-04

cc : Chairperson: MPAC