



**UMNGENI LOCAL MUNICIPALITY**  
**OVERSIGHT REPORT**  
**2022/2023**

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# 1. Introduction

Each municipality must prepare an annual report for each financial year in accordance with the Municipal Finance Management Act and Municipal Systems Act. The purpose of the annual report is:

- to provide a record of the activities of the municipality or entity;
- to provide a report on performance in service delivery and against the budget;
- to provide information that supports the revenue and expenditure decisions made; and;
- to promote accountability to the local community for decisions made.

Municipalities rely heavily on annual reports to report against the performance objectives and budgets outlined in their strategic plans. In addition to financial statements, annual reports are required to contain information on service delivery and outcomes. It is meant to be a retrospective document, focusing on performance during the most previous financial year. It must demonstrate how the budget was implemented and the outcomes of service delivery operations for the financial year in question.

The annual report should include four main components, each of which plays an important role in promoting governance and accountability, when it is presented. The primary elements are:

- The annual performance report as required by section 46 of the MSA.
- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
- The Auditor-General's audit report on performance in terms of section 45(b) of the MSA.

# 2. Purpose

The oversight report is the final major step in a municipality's annual reporting process. Section 129 of the MFMA mandates that the council review the annual reports of its municipality and adopt an "oversight report" containing its comments on each annual report. Thus, the oversight report is distinguishable from the annual report. The accounting officer and the mayor submit the annual report to the council as part of the process of executive and administrative accountability

for their performance in achieving council-established goals. The oversight report is a municipal council report that follows the council's consideration and consultation of the annual report. Thus, the entire cycle of accountability is completed, and the separation of powers is maintained in order to promote effective governance and accountability.

### 3. Composition of the Oversight Committee

A Municipal Public Accounts Committee (MPAC) was established by Council resolution in accordance with Section 79 of the Local Government: Municipal Structures Act, 1998. (Act No. 117 of 1998). The MPAC is tasked by the Terms of Reference with performing an oversight role over the process of preparing the Annual Report of Council and producing an Oversight Report based on the Annual Report.

#### 3.1.1 Membership

The Oversight 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, it is not appropriate that members of the Executive Committee serve on the Oversight Committee. Accordingly, Council nominated members to form the Oversight Committee which prepared the Oversight Report for 2022/2023 financial year. The Oversight Committee is composed of the following members consisting of seven Councillors and two members of the public: -

- |    |                     |                           |
|----|---------------------|---------------------------|
| 1. | Cllr. H Lake        | Democratic Alliance       |
| 2. | Cllr. PC Le Roux    | Democratic Alliance       |
| 3. | Cllr. HG Maphumulo  | Economic Freedom Front    |
| 4. | Cllr. RS Sokhela    | African National Congress |
| 5. | Cllr. QSB Buthelezi | African National Congress |
| 6. | Cllr. TA Duggan     | Democratic Alliance       |
| 7. | Cllr. NF Buthelezi  | Democratic Alliance       |
| 8. | Dr. Bedassi         | Member of the Public      |
| 9. | Dr. Qwabe           | Member of the Public      |

## 3.2 Authority and Power





A Municipal Public Accounts Committee (MPAC) was established by Council resolution in accordance with Section 79 of the Local Government: Municipal Structures Act, 1998. (Act No. 117 of 1998). The MPAC is tasked by the Terms of Reference with performing an oversight role over the process of preparing the Annual Report of Council and producing an Oversight Report based on the Annual Report.

## 3.3 Adoption and Public Consultation

The Annual Report 2022/2023 was submitted to the Auditor General on 8 February 2024 after it was tabled in Council on 31 January 2024 in accordance with Section 127(2) of the MFMA. The annual report was made available on the municipal website and copies were also placed at municipal offices and libraries for the public to view. The Annual Report 2022/2023 was also submitted to the relevant Provincial Treasury and Department of Cooperative Governance and Traditional Affairs as required by Section 127 (2) (b) of the MFMA. The deadline for public comment was 29 February 2024. No written submissions were received from the public.

The Municipal Manager attended the Council Meeting where the Annual Report 2022/23 was tabled (31 January 2024) to be released for public comment, as required by the MFMA, as well as the Oversight Committee meeting (19 March 2024) to answer questions posed by Oversight Committee Members and to respond to written and oral representations.

## 4. Annual Report Checklist

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
1. Financial Matters - Annual Financial Statements - Section 121 (3) MFMA	Financial reporting matters to be considered	Yes, Its included in the Annual Report
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.  Have the required standards been met?	Yes. The required standards have been met.
121 (3)(a) 121 (4) 121 (4)(b)	The above applies also to the AFS of municipal entities.	Not applicable as uMngeni municipality does not have an entity.
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?	All creditors owed by the municipality were disclosed in the AFS as at 30 June 2023. Refer Note 6 of AFS
121 (3)(g)	The conclusions of the annual audit are:	UNQUALIFIED with emphasis of matters: <ul style="list-style-type: none"> <li> Material impairment of receivables from exchange transactions</li> <li> Material impairment of receivables from non-exchange transactions</li> <li> Material impairment of property, plant and equipment</li> <li> Material losses - electricity</li> </ul>

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	
Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports.	<ul style="list-style-type: none"> <li>✚ Unqualified audit opinion with or without management issues, which means that the financial statements are acceptable;</li> <li>✚ The objective of the municipality should be to achieve an unqualified audit opinion.</li> <li>✚ Taking into account the audit report, audit opinion and the views of the audit committee, council considered: <ul style="list-style-type: none"> <li>• To what extent does the report indicate serious or minor financial issues?</li> <li>• To what extent are the same issues repeated from previous audits?</li> <li>• Is the action proposed considered to be adequate to effectively address the issues raised in the audit report?</li> <li>• Has a schedule of action to be taken been included in the annual report, with appropriate due dates?</li> </ul> </li> </ul>	<p>The report indicates all serious and minor issues.</p> <p>There are a few issues repeated from previous audits.</p> <p>The municipality has developed an action plan with adequate activities identified to address issues raised by the committee.</p> <p>Yes, the action plan with set due dates is included in the annual report.</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 said MECs.	

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	
<p>121 (3)(f) An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget.</p>	<p>The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA 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>Partially, there is room for improvement.</p> <p>Not all objectives have been met. By end of financial year the municipal overall performance was at 65% achievement with 78 set projections achieved out of a total of 120.</p> <p>Staff capacity in some departments within the municipality and delays in SCM processes due to staff capacity are the most common reasons for variance stated (this led to most bids having to be re-advertised as the validity period reached expiration date).</p>
	What was the impact on the service delivery and expenditure objectives in the budget?	Better allocation of resources and oversight has seen improved service delivery in many areas but still far from what is expected.
121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality.	Review any other information that has been included in regard to the AFS.	The Annual Report includes reports from the Audit Committee



INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
123. Financial Matters – Annual Financial Statements – Section 121 (3) MFMA	Financial reporting matters to be considered	
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>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>Yes, all recommendations of the Audit Committee have been addressed</p> <p>The CAE should include the findings raised by the Auditor-General in last year’s audit report and management comments to ascertain how they have addressed the comments.</p> <p>The CAE reported that most of the issues have been addressed and the outstanding issues are the impairment of debtors. The municipality cannot run away from this since there are long outstanding debtors and the values are increasing on a yearly basis. The IAU will have to assess the recoverability done by finance department and if they are not recoverable the IAU will request for these to be impaired.</p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
<p><b>2. Disclosures – Allocations received and made</b></p> <p>Section 123-125 MFMA</p>	<p><b>Considerations</b></p>	
<p>Sec 123 (1)(a) Allocations received by and made to the municipality</p>	<p>The report should disclose:</p> <ul style="list-style-type: none"> <li>✚ Details of allocations received from another organ of state in the national or provincial sphere.</li> <li>✚ Details of allocations received from a municipal entity or another municipality.</li> <li>✚ Details of allocations made to any other organ of state, another municipality, or a municipal entity.</li> <li>✚ Any other allocation made to the municipality under Section 214(1) (c) of the Constitution.</li> </ul> <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>All allocations have been received and made.</p> <p>All allocations received have been confirmed to be correct in terms of DORA</p>
	<p>Does the audit report or the audit committee recommend any action?</p>	<p>Yes, all recommendations are contained in the action plan.</p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
<p><b>2. Disclosures - Allocations received and made</b></p> <p>Section 123-125 MFMA</p>	<p><b>Considerations</b></p>	
<p>125 (1) Information in relation to outstanding debtors and creditors of the municipality and entities.</p>	<p>Municipalities and entities are reminded of the requirements to included, 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 payments 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"> <li>•the information has been properly disclosed;</li> <li>•conditions of allocations have been met; and</li> </ul> <p>that any explanations provided are acceptable.</p>	<p>Sec 125 Other compulsory disclosures They were all disclosed in the AFS all applicable other than the entities information as it is not applicable at uMngeni LM Note 65 of the AFS</p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
<p><b>2. Disclosures - Allocations received and made</b></p> <p>Section 123-125 MFMA</p>	<p><b>Considerations</b></p>	
<p>123 (1)(c) Information in relation to the use of allocations received.</p>	<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"> <li>✚ 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.</li> <li>✚ 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.</li> <li>✚ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.</li> </ul> <p>This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation.</p> <p>The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of 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"> <li>✚ the information has been properly disclosed;</li> <li>✚ conditions of allocations have been met; and</li> <li>✚ that any explanations provided are acceptable.</li> </ul> <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>All Conditional grants information is properly disclosed in the AFS Note 35 of AFS</p>
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	acceptable. • The comments of the Auditor-General and the views of the audit committee should be used to determine the	
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## 5. Committee comments and Management responses

No.	Oversight Committee Member	Comment input	Management response
	<b>Cllr Lake</b>	Header problem mentioned by IA still there. UNESCO	Resolved in all pages
		Page 45 – table – font not consistent	Resolved in Pg30-35
		Page 65 – audit outcomes – graphic could be improved	Improvements will be made when a service provider will be approved for the design and layout of the Annual Report
		Table 11 – it could be represented better – consider removing colours	The colors used are as per the risk register that categorizes the different levels of risks
		Table 25 – page 95 (hard) - unmet KPIs – Is this usually included, and must it be included.	In considering the question about including unmet Key Performance Indicators (KPIs) in Table 25 on page 95, it's essential to balance recognition of our successes with transparency about our challenges. Celebrating achievements motivates us, but openly sharing our unmet goals with the public is crucial for accountability and improvement. This approach strengthens trust and guides our focus on areas that need enhancement.
		Figure 19 – graphic could be improved. Page 107	Improvements will be made when a service provider will be approved for the design and layout of the Annual Report



No.	Oversight Committee Member	Comment input	Management response
		Audit action plan layup can be improved – end page 209	Resolved in Pg169-205
		Page 219 – meeting attendance repeated – earlier in the document	No. of Meetings attended column removed in table4 on Pg 30-35
		Page 229 – layup (only one line on a page)	Resolved in Pg 229
		Page 253 – empty table	No Appendix Information
	<b>Ms Shirley Benney</b>	Reference to UNESCO City of Craft and Folk Arts needs to be rectified on all pages of this report.	Resolved in all pages
		Page 42 - Table of Contents – Mayor’s Forward and Executice Summary should be <b>Executive</b> Summary.	Resolved in Table of Content
		Chapter 04 Page 43 – Component A: should be Component A	Resolved in Table of Content
		Chapter 04 Page 43 – Component B: should be Component B	Resolved in Table of Content
		Chapter 05 Page 43 – Statement of Fincial Performance should be Statement of <b>Financial</b> Performance.	Resolved in Table of Content
		Chapter 06 Page 44 – APPENDIX g should be <b>APPENDIX G</b>	Resolved in Table of Content
		Page 45 Table 9 – MAYORAL IZIMBIXO MEETINGS should be MAYORAL <b>IZIMBIZO</b> MEETINGS	Resolved in Table of Content
		Page 45 Figure 4 – SOCIO ECONIMIC INDICATORS should be SOCIO <b>ECONOMIC</b> INDICATORS	Resolved in Table of Content
		<b>CHAPTER 01</b>	

No.	Oversight Committee Member	Comment input	Management response
		Page 47 – MAYOR’S FORWARD AND EXECITIVE SUMMARY should be MAYOR’S FORWARD AND <b>EXECUTIVE</b> SUMMARY	Resolved in Pg 7
		Page 55 – Figure 3 – Implentation Plan should be <b>Implementation</b> Plan	
		Page 56, 1.5 – Education – Higher Education (20+years should be Higher Education <b>(20+years) ??% (percentage is missing)</b> )	Resolved in Pg 15
		Page 56 – would be useful to have source of information for each area of reporting.	Source included in Pg 15
		Page 57 – access to internet using 2011 data – the major service providers should be able to provide a more up to date statistic for use in the report. The service providers would include mobile network and fibre ISPs.	Comment Noted
		Page 65 – Figure 6 - the improvement from qualified to unqualified audits for two years is highly commended in spite of the notes where improvements are required.	Comment Noted
		Page 68 – I believe that the Mayor, Deputy Mayor, Speaker, Chief Whip and other Councillors were sworn in, in 2021 and not 2022.	Resolved in Pg 27
		Pages 72/73 – total of 20 dates listed and not 21 dates as per the total.	Resolved in Pg 28
		Page 85 – Figure 7 – Is independent of the council should be Is independent of the <b>council.</b>	Resolved in Pg 47
		Page 85 – Figure 7 – Ensures better communication from the community should be Ensures better communication from the <b>community.</b>	Resolved in Pg 47

No.	Oversight Committee Member	Comment input	Management response
		Page 86 – The ward committee should be The ward <b>committees</b> .	Resolved in Pg 48
		Page 86 – Is in included should be <b>Is included</b> .	Resolved in Pg 48
		Page 107 – It is not clear what % relates to which category – Achieved, etc., needs to be colour coded to indicate the category.	
		Page 111 – Similar accomplishment rate to the prior reporting period is likely to be due to the learning curve of the employees – this, in my view, can be considered to be reasonable for the two years but will need to be improved on in the next budget cycle.	Comment Noted
		Page 123 – The turnaround in Municipal Transformation and Organisational Development is to be commended and shows the commitment of the team that is emerging that will take the municipality forward.	Comment Noted
		Page 130 – Conversely the decline in the Municipal Financial Viability and Management is of concern but it is noted that unpaid for electricity plays a major role in this decline and is a difficult aspect to communicate to the communities and to manage. The challenges of Supply Chain Management (SCM) also appear to be a significant contributor to the decline in this area. It is good to note the focus on SCM which should result in a significant improvement in this area in the next reporting period.	Comment Noted
		Pages 144/145 – It would appear that the targets set were ambitious, particularly given the starting point. More realistic targets would	Comment Noted

No.	Oversight Committee Member	Comment input	Management response
		be motivational and are likely to be exceeded rather than unrealistic targets not met being interpreted as a failure.	
	<b>DR Bedassi</b>		
		PAGE 6: Spelling of EXECUTIVE	Resolved in Pg 7
		PAGE 7: Mayors' -Apostrophe should be between the r and s-Mayor's	Resolved in Pg 7
		PAGE 8: Municipal Managers-apostrophe should be between the r and s-Manager's	Resolved in Pg 8
		PAGE 15: Good pictorial representation-very reader friendly.	Comment Noted
		PAGE 17: "Please refer to the table below"-NO TABLE	Resolved in Pg 17
		PAGE 18: 1.7 Third Paragraph-Annexure to this report-name the ANNEXURE and PAGE for easy reference.	Resolved in Pg 18. Table is named
		CHAPTER 02 GOOD GOVERNANCE AND PUBLIC PARTICIPATION	
		PAGE 28/32: 4 <sup>th</sup> paragraph- "met 21 times- correction- met 20 times.	Resolved in Pg 28/32
		PAGE 52: Risk Management Committee: Suggest list the names to indicate the balance mix between internal members and external individuals.	
		PAGE 100: Date of establishment of a portal billing system-Actual target 31 Dec 22. Actual Achievement- NIL. "anticipated date of his/her arrival is 01 Sept 2023. Did this person arrive or not- now 2024.	The statement in the report cannot be amended due to the fact that it is a report that was prepared and audited in August 2023. In the first and second quarter of 20223. Targets that were not

No.	Oversight Committee Member	Comment input	Management response
			achieved in the last financial year are continuously being reported to council
		PAGE 101: 3 <sup>rd</sup> ROW 4 <sup>th</sup> COLUMN: anticipated completion by 31 <sup>st</sup> December 2023 Or 2024 or has it been done?	
		PAGE 106: SLA (Service Level Agreement) as indicated for SCM-for easy reference for the reader	Resolved in Pg 106
		PAGE 132: 4.1 LINE 1: Spelling of Manager-not Manger	Resolve din Pg 132:4.1
		PAGE 146: COMPONENT A-STATEMENT OF FINICIAL (FINANCIAL) PERFORMANCE-check spelling.	Resolved in Pg 146
		PART H APPENDICES: PAGE220 -Check total-20 not 21	Resolved in Pg 220
		<p>CONCLUDING REMARKS</p> <p>A well-presented ANNUAL REPORT which provides</p> <ul style="list-style-type: none"> <li>▶ a record of the activities of the municipality or entity</li> <li>▶ a report on performance in service delivery against the budget</li> <li>▶ promotes accountability to the community <ul style="list-style-type: none"> <li>• Well done congratulations</li> </ul> </li> </ul>	Comments Appreciated

## 6. Committee resolutions

Having fully considered the uMngeni Municipality's Annual Report 2022/2023, the Oversight Committee resolves to recommend to Council the following:

1. That Council having fully considered the Annual Report 2021/2022 ADOPTS the Annual Report 2021/2022 and the Oversight Report 2021/2022 with the amendments and without reservations;
2. That the Oversight Report for 2021/2022 and the Annual Report for 2021/2022 be forwarded to the Provincial Legislature, the Provincial Department of Co- operative Governance and Traditional Affairs and the Provincial Treasury;
3. That the Annual Report 2021/2022 be made public in accordance with Section 129(3) of the MFMA;
4. That copies of the Minutes of the Oversight Committee and Council dealing with the Annual Report 2021/2022 be submitted to the Auditor-General, Provincial Treasury and the Department of Co-operative Governance and Traditional Affairs.



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**CLLR. H. LAKE**

**CHAIRPERSON**