UTHUKELA
UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

ADOPTION OF THE OVERSIGHT COMMITTEE REPORT ON THE ANNUAL REPORT IN TERMS OF SECTION 129 OF THE MFMA, (Act No 56 of 2003) (MFMA).

Compiled by **: Chairperson: MPAC**

Reference No. :

Routing

Council **: 27 March 2026**

PURPOSE OF THE REPORT

The purpose of this report is for the Council to approve the Draft Oversight Report on the 2024/2025 Annual Report as submitted by the Municipal Public Accounts Committee (MPAC) in terms of Section 129 of the Local Government: Municipal Finance Management Act (Act No 56 of 2003) (MFMA).

BACKGROUND

In terms of the Municipal Finance Management Act and the Municipal Systems Act, municipalities must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

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

Section 129 (1) of the Municipal Finance Management Act (Act No 56 of 2003) states that the Council of the Municipality must consider the Annual Report of the Municipality and by no later than two months from the date on which the Annual Report was tabled in the Council, adopt an Oversight Report containing the Council's comments on the Annual Report, which must include a statement whether the Council has:

- Approved the Annual Report with or without reservations;
- Rejected the Annual Report; or
- Has referred the Annual Report back for revision of those components that can be resolved.

Other relevant pieces of legislation that the committee considered included the following:

- Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) Chapter 6, as read with the Local Government: Municipal Systems Amendment Act, 2003 (Act 44 of 2003).
- Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)

ROLES AND RESPONSIBILITIES OF MPAC

MPAC 's are established in terms of section 79 of the Municipal Structures Act (Act 117 of 1998) ,and perform an oversight function on behalf of Council. They are not a duplication of other committees of Council ,such as ,the Finance committee or that of the Audit Committee .

The statutory framework further includes section 129 of the Municipal Finance Management Act (MFMA) No 56 2003,the Constitution of the Republic of South Africa ,the Municipal systems Act no 32 also serves as reference and further provides earlier guidance on the oversight process that councils must follow when considering the Annual Report and producing and oversight Report.

PURPOSE OF THE OVERSIGHT REPORT

The Oversight Report is clearly to be distinguished from the Annual Report. The latter is submitted to the council by the accounting officer (MM) and the Executive Mayor and is part of the process of the executive and administration discharging its accountabilities. The Oversight Report is a report of the municipal council in its Oversight and monitoring role.

In order to approve the Annual Report without reservations, council should be able to agree that the information contained in the report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon.

Approval means that the executive and administration have discharged in full their accountability for decisions and actions and that their performance meets the criteria set by performance objectives (i.e. performance agreements and the SDBIP).

PROCESS PLAN AND TIMEFRAME FOR THE ADOPTION OF THE OVERSIGHT REPORT AND THE ANNUAL REPORT

The process plan and timeframe for the adoption of the oversight report and the annual report is attached as Annexure A of the report.

PUBLIC COMMENTS

Copies of the annual report were also placed at various municipal centres and the local municipalities' offices was encouraged to consider the reports and to submit their comments thereto. Comments were received from the public and incorporated into the report.

SALIENT POINTS NOTED BY MPAC

The committee commenced its oversight work on the 2024/2025 Annual Report in earnest on 25 February 2026. The specific focus areas of the exercise included inter alia, the Auditor General findings for the period under review, Annual Financial Statements, Performance Information and a cross-reference to the 2024/2025 Oversight Report interviews with management ,the relevant legislation and regulations.

AUDIT OPINION

The committee notes the unchanged Audit Opinion for the past 7 years in respect of the audit outcomes for the period under review. The committee would like to encourage the management to work even harder towards a clean audit opinion in the financial year 2025/2026.The committee would also encourage the Development of the Audit Strategy to turn the Municipality around.

CONCLUSION

The committee would like to express a profound sense of gratitude to council for having afforded it the opportunity to interrogate the report on its behalf. It is the committee's perspective that the standard of its work should continue to improve year-on-year in order to strengthen council oversight on municipal activities.

It is a recommendation of MPAC that going forward council should apply proactive and closer oversight on the implementation of its resolutions. The reviews of the quarterly reports by MPAC will ensure that council is kept abreast on the implementation or lack thereof of its resolutions on a continuous basis.

This will ensure that council is able to act in earnest and avoid learning about the non-implementation of its decisions in the Annual Report. In this regard the committee would call for greater cooperation with management in order to ensure that the committee continues to realize its mandate.

RECOMMENDATIONS BY THE CHAIRPERSON OF MPAC

MPAC RECOMMENDS IN TERMS OF THE MFMA SECTION 129(1): THAT COUNCIL:

1. That Council, having fully considered the Annual Report of the municipality for the financial year 2024/2025, adopts the Oversight Report without reservations.
2. That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act, 56 of 2003.
3. That the corrective actions that are recommended in this Oversight Report be adopted as formal resolutions of council and that feedback on actions taken by the municipality in this regard be included in the following year's Annual Report.
4. That the Oversight Report on the uThukela District Municipality's 2024/2025 Annual Report be submitted to the provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act, 56 of 2003.



MM NKALA
CHAIRPERSON – MPAC

UTHUKELA
UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

DRAFT 2024/2025 MUNICIPAL OVERSIGHT REPORT

uThukela District Municipality

Section 129 (1) of the Municipal Finance Management Act (Act No 56 of 2003) states that the Council of the Municipality must consider the Annual Report of the Municipality and by no later than two months from the date on which the Annual Report was tabled in the Council.

OFFICE OF THE MUNICIPAL MANAGER

PERFORMANCE MANAGEMENT UNIT

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- *Audit and Performance Committee Report*
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1. Foreword By Chairperson

The report is provided in terms of council resolution and MPAC terms of reference. The Draft 2024/2025 Annual Report of uThukela District Municipality was tabled in Council on 30 January 2026. The Report was referred to the Municipal Public Accounts Committee for review and the drafting of this Oversight Report. This Committee also fulfils the oversight role of Council. The mandate of the Municipal Public Accounts Committee is to analyse the institution's Annual Report and to develop appropriate recommendations to Council.

The 2024/2025 Annual Report was published to the local newspaper, on the 10th February 2026, to invite comments from public. The Annual Report was also submitted to local municipalities within a district. In addition, copies of the Draft 2024/2025 Annual Report were made available for inspection at all local municipalities' libraries and customer care centres and also on the municipal website.

This Report constitutes the fifth Oversight Report of the Uthukela District Municipality. Improvements in certain performance areas were noted, as were unsatisfactory performance in others. The Committee also wishes to record its concern at the number of items from last year that appeared on its agendas throughout the year under review, without the relevant issues having been resolved.

The areas of concern raised by the Auditor-General and the Committee itself are reflected in this report.

- **Legal Framework**

The annual oversight is compiled in terms of Section 129(1) of the Municipal Finance Management Act, No. 56 of 2003 which read as follows: "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 statement whether the council-

a) has approved the annual report with or without reservations;
b) (b) has reject the annual report; or
c) (c) has referred the annual report back for revision of those components that can be revised."

The Municipal Finance Management Act (MFMA), Circular No 32, stipulate clearly the way the overall financial activities of the council should be handled and more emphasis is on the functionality of the oversight committee. Also the report ensures the executive and the administration account on the work of a municipality.

- **Stakeholders**

The annual report was posted on the municipality's website and public places though there is no indication as to whether inputs/submission was received from the community.

Two MPAC (2) meetings held to discuss Annual Report:

- 15 February 2026
- 25 March 2026

- **Closing Remarks**

The oversight committee is there to ensure that the municipality runs its affairs in a manner that will promote effective use of Municipal resources. These will strengthen our hard fought and earned democracy. This is a just cause that all of us have to rally behind to strengthen oversight and promote good governance.

Level of non-compliance by departments remains a thorny issue. The pursuit of value for money is imperative, if government is to improve service delivery standards. As the committee we believe that to fully discharge our council obligation and to oversee the executive function, more work needs to be done. Our work was modelled on National and Provincial oversight systems.

The support received from the Office of the Speaker and the committee section in the municipality towards ensuring that the process is on track is appreciated. The committee also thanks the assistance of the Auditor-General's Office, Cogta and Treasury in presenting a brief analysis on the Annual Report for 2024/2025 financial year, including the office of the Auditor General.

Finally, I would like to commend my fellow Municipal Public Accounts Committee members for their hard work and commitment, given that some the MPAC meetings were quite robust. I would also like to thank officials for their support in the oversight process. A special word of thanks must go to the Office of the Auditor-General and the Audit Committee for their valuable input in the Annual Report and oversight processes.

Towards enhanced service delivery and financial accountability.



MM NKALA
CHAIRPERSON – MPAC

2. Terms of Reference: Oversight Committee

All political parties are represented on the Oversight Committee, and the Performance and Audit Committee members act as advisory members of the committee.

At the Ordinary Council meeting held on the 29 January 2026, the MPAC members were elected to the Oversight Committee to deliberate on the 2024/2025 Annual Report.

That the following non-executive Councillors were elected to serve on the Municipal Oversight Committee to develop a program to address the queries raised in the Auditor-General's Report:

- Councillor : Nkala (Chairperson)
- Councillor : L Qwabe
- Councillor : LP Mnculwane
- Councillor : Hlongwane
- Councillor : L Kubheka
- Councillor : E Lite
- Councillor : BB Biyela

That the elected Municipal Oversight Committee will submit a report addressing recommendation on the Annual Report, recommendations on the Audit Committee Report the queries raised by the Auditor General to Council for deliberations.

That the Committee will table the Oversight Report to Council as per the following programme:

STRUCTURE	DATE	ACTIVITY
Office of the Accounting Officer	January 2026	Inviting public to attend the tabling of Annual Report
EXCO	January 2026	Tabling and discussion of the Annual Report
Council	January 2026	Tabling of the Annual Report
Council	January 2026	Appointment of the Oversight Committee
Office of the Accounting Officer	03 February 2026	Invite public to make comments on the report
Oversight Inauguration meeting	February 2026	Formulation of the draft Oversight Report
Public Participation	February 2026	Public Consultation with local municipalities
Oversight Committee	31 March 2026	Oversight Report tabled to Council

The functions of the Oversight Committee are to:

- Undertake a review and analysis of the Annual Report going forward.
- Invite, receive and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- Conduct Public Hearing(s) to allow the local municipalities or any organs of state to make representations on the Annual Report
- Receive and consider Councils' Audit Committee views and comments on the annual financial statements and the performance report.
- Prepare the Oversight Report taking into consideration, the views and inputs of the public, representative(s) of the Auditor General, Organs of State, Councils' audit committee and Councillors.

The Oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its Municipality and Municipal entities and to adopt an oversight report containing the council's comments on annual report, which must include a statement whether the council-

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

The Oversight Committee may use the attached checklist to organize its Report and to manage request for additional information. The questions suggested may be used by all councillors to gain clarification on contents of reports and also to verify compliance with the MFMA and MSA. Responses to these questions should be provided by the Accounting Officer of the Municipality.

3. Recommendations By The Oversight Committee

The conclusions and recommendations of the Oversight Committee are presented in two sections, as reflected below:

- **Compliance issues** – This section contains the Committee's comments on whether the 2024/2025 Annual Report included the items required by the MFMA and followed the guidance provided by National Treasury's Circular 32.

- **Other Annual Report issues** – This section contains the Committee's substantive comments on the Annual Report and other issues raised by the Committee.

4. Compliance Issues

The Annual Report complied with the requirements of the Municipal Systems Act and the Municipal Finance Management Act (MFMA) as well as National Treasury guidance on the content of annual reports.

MFMA requirements included in the tabled Annual Report

- Headings and content recommended in Circular 11.
- Annual Financial Statements.
- Auditor-General's Audit Report.
- Performance report – Performance statistics and narratives are included, as required.
- Report of the Audit Committee.
- Conditional grants and assessment of compliance.
- Allocations to other organisations.
- Total payments for audit fees, taxes, levies, pension and medical aid contributions, and if any amounts are outstanding at year-end.
- Each bank account (name, type, balances).
- Summary of all investments.
- Information on backlogs.
- Material irregular, fruitless or wasteful expenditure and whether recoverable.

- Salaries, allowances and benefits for each political office-bearer and top management official.
- Arrears owed by each UTDM Councillor.
- Comparative performance information – Actual performance compared to the 2024/2025 performance objectives, as well as performance information from the previous year.
- Analysis of arrears.
- Auditor-General's Report on Performance Management System.

5. Matters of concern noted by the Municipal Oversight Committee

5.1. Audit Report by Auditor-General

The Municipal Public Accounts Committee records its concern at the repetition of the same matters of emphasis being raised repeatedly by the Auditor-General in Audit Reports over successive financial years, and also its concern at the failure by the Municipality to rectify such matters, inter alia, by implementing existing measures and action plans. These matters include:

- General Expenditure – Electricity
- Consumer Debtors with credit balances
- Revenue from exchange transactions-service charges
- Contracted Services
- Water Losses

5.2. Other matters

The Municipal Oversight Committee expressed the following additional concerns:

- Ageing municipal infrastructure and the lack of sufficient maintenance thereof, accompanied by ongoing wear and tear, resulting in frequent service delivery disruptions.
- Audit qualification received by the Municipality from the Audit- General.
- Loss of water, due to both technical and non-technical losses, as well as theft of infrastructure, resulting in huge financial losses.
- Lack of sufficient skilled staff to execute projects effectively.

5.3. Areas of amendment to the 2024/2025 Annual Report

No amendment made by the MPAC at this moment.

5.4. Recommendations: Auditor-General's Report

That the Municipal Oversight Committee recommends that the Municipal Manager obtain guidance from National Treasury on how the Council should address irregular, fruitless and wasteful expenditure and submit an action plan reflecting remedial action to address Auditor General's queries and matters of emphasis raised by the Auditor-General, as well as the matters of concern expressed by Oversight Committee, as set out in in this Oversight Report to the Executive Committee, MPAC, Council and other Council structures by 30 April 2026, and report progress being made on the implementation of the action plan on a quarterly basis.

5.4.1. Irregular, Fruitless and Wasteful Expenditure

The Municipal Oversight Committee recommends that, due to the fact that there are currently very few or no consequences for officials who incur irregular, fruitless and wasteful expenditure, and as a measure to curb same, Council adopt the stance that there must be some form of action taken against officials involved in such cases, unless it can be proved that such expenditure was incurred because of circumstances beyond the control of the person(s) involved.

5.4.2. IDP does not include input, out and outcomes indicators

The Municipal Manager to submit provide an overview report on the progress on implementation of the IDP

5.4.3. No review of the performance management system

The quarterly monitoring tool in the form of compliance checklist be formulated and submitted to Council by the 30 April 2026.

5.4.4. Reported Information not Reliable

There is system to collect, collate, verify and store information. Appropriate information were not available to substantiate the reported information. Proper communication and clearly documented information be made available to employees and adequate filling system be established to ensure proper and timeous record keeping.

5.4.5. Institutional Transformation and Organisational Development

5.4.5.1. Critical Vacancies

- **Budget and Treasury Office**

The Municipal Oversight Committee recommends that the Municipal Manager, provides an update on the fiiling of the Chief Financial Officer position to address the issue managing and safeguarding public funds within the Municipality.

Succession Planning – Budget and Treasury Office

The Municipal Oversight Committee recommends that, with regard to officials required to provide information, technical advice and support to the Auditor-General's office during the Council's Annual Audit Process, the Municipal Manager, in consultation with the Chief Financial Officer, develop a succession plan to ensure that expertise is transferred in the Budget and Treasury Office, such plan to take into account the issue of employment equity.

- **Disciplinary Hearings**

The Municipal Oversight Committee recommends that the outcome of all disciplinary hearings held against municipal employees be completed speedily and thereafter be reported to Council once completed.

5.4.6. Basic Service Delivery and Infrastructure Development

5.4.6.1. Maintenance of Infrastructure

- **Water and Sanitation**

The Municipal Oversight Committee recommends that the General Manager: Water, Sanitation and Technical Services submit a report to Council by 31 May 2026, addressing the issue of the institution's ageing infrastructure relating to water and sanitation.

- **Local Economic Development**

The Municipal Oversight Committee recommends that the General Manager: Community Services submit a report to Council by 30 June 2026 plans in place to develop the LED Strategy.

- **Cooperatives Support**

There is no report on Cooperatives support and development programmes initiated by the Department: Social and Economic Development. Therefore, Municipal Oversight Committee recommends that the General Manager: Social and Economic Development set up initiatives during the 2025/2026 financial year to assist SMMEs in their respective areas of serviced delivery.

5.4.7. Municipal Financial Viability and Management

5.4.7.1. Supply Chain Management

The Municipal Oversight Committee recommends that the Municipal Manager addresses the issue of ineffective document management in the municipality including Supply Chain Management Unit by 31 May 2016.

- **Supply Chain Management Policy**

The Municipal Oversight Committee recommends that the existing Supply Chain Management Policy be closely monitored, subject to the Municipal Manager ensuring that these provisions are not in conflict with the relevant legislation:

- That no employees or Councillors who are in the service of the Municipality, nor their spouses, children, parents or close family members, may enter into a contract to do business with the Municipality;
- That failure by prospective service providers to disclose in their tender documents, their relations with employees and/or Councillors in the service of Council, should result in those individuals or companies being blacklisted.

The Municipal Oversight Committee recommends that the procedures relating to the Disclosure of Interests by Officials be reviewed by the Municipal Manager, with a view to tightening up disclosures relating to employees, former employees, their spouses, children, parents or close family members entering into contracts to do business with the Council.

- **Deviations**

The Municipal Oversight Committee recommends that, the Municipal Manager draw up an Action Plan by 31 May 2026 of measures that can be put in place to reduce the unacceptable number of deviations.

5.4.8. Good Governance and Public Participation

No issues raised by the Oversight Committee on Good Governance and Public Participation be wording and grammar error.

6. Process Plan and Timeframe for the adoption of the Oversight Report and the Annual Report

Activity	Responsibility	Target Date
Council Establishes the MPAC / Oversight Committee	Council	Done
Submit a copy to Provincial Department responsible for Local Government and the Office of the Auditor General	Accounting Officer/PMS Manager	Done
1st Meeting of the MPAC/ Oversight Committee	Members	15 February 2026
Last date for the submission of Comments and Public Participation Process	Accounting Officer/PMS Manager	March 2026
2nd Meeting of the MPAC / Oversight Committee: Discussion and adoption of the Draft Oversight Report	Members	24 March 2026
Adoption of the MPAC / Oversight Committee Report	Council	March 2026
Make Oversight Report Public	Accounting Officer/PMS Manager	March 2026
Submit minutes of the meeting to the Auditor-General	Accounting Officer/PMS Manager	March 2026
Submit Oversight Report to Provincial and National Treasury		
Submit Oversight Report to Provincial Department responsible for Local Government		

7. Annual Report Checklist

1. Annual Financial Statements - Section 121 (3) & (4) MFMA	For Consideration	Questions	Response	Recommended Corrective Action
121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General	Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexure, 23 June 2005, provides guidelines on the new accounting standards for municipalities.	1. Have the financial statements been included? 2. Are the financial statements audited? 3. Have the financial statements been prepared in compliance with applicable accounting standards.	Yes Yes Yes	 n/a n/a
121 (3)(a)	The above applies to the AFS of municipal entities.	Not applicable		
121 (3)(b) The Auditor-General's reports on the financial statements of the municipality.		1. Is the audit report included in the tabled Annual Report? 2. If not, when will the audit report be tabled? 3. What are causes of the delays? 4. What actions are being taken to expedite the report?	Yes N/A	n/a
121 (4)(b)	The above applies to the AFS of municipal entities.	Not applicable		
121 (3)(h) Any explanations that may be necessary to clarify issues in connection with the financial statements	The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS.	1. Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?	Yes	n/a

121 (4)	The above applies also to the AFS of municipal entities.			
2. Annual Financial Statements - Section 121 (3) & (4) MFMA cont.	**For Consideration**	**Questions**	**Response**	**Recommended Corrective Measure**
121 (3)(e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities		1. Has an adequate assessment been included? 2. Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? 3. Is any other action needed?	Debtors Age Analysis is captured in the Financial Statements. Implementation of Credit Control practices, data cleansing, meter sweeps to curb illegal connection, Masakhane campaign	n/a
121 (4)(c)	Above applies to AFS of municipal entities.			
121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	The conclusions of the annual audit may be either – - An unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; - A qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or - The auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed. The objective of the municipality should be to achieve an unqualified audit opinion.	1. Taking into account the audit report, audit opinion and the views of the audit committee, council should consider: To what extent does the report indicate serious or minor financial issues? To what extent are the same issues repeated from previous audits? Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? 2. Has a schedule of action to be taken been included in the annual report with appropriate dates? 3. Has the municipality taken steps to address the issues raised in the Audit Report? 4. Has the Audit Report been forwarded to the MEC?	The report indicated two major issues which is completeness of revenue and irregular expenditure. Irregular expenditure was reported in the previous financial year. An action plan was developed and adopted by council to address the issues raised. Yes, an audit action with target dates has been included. Yes, steps has been taken has been taken to address issues raised and they are in progress. Yes, the audit report has been submitted to COGTA.	n/a
121 (4)(e)	Above applies to AFS of municipal entities.			
121 (3)(i)&(k) Any information as determined by the municipality, entity or its parent municipality	Review all other information contained in the Annual Report.	1. Is the other information contained in the Annual Report, relevant and accurate?		
121 (4)(h)	Applies to municipal entities.			

3. Annual Financial Statements - Section 121 (3) & (4) MFMA continued	For Consideration	Questions	Response	Recommended Corrective Measure
121 (4)(d) An assessment by the municipal 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 the Municipality	Agreements between the municipality and its entities for service delivery are to include measurable performance objectives. This will include measures of services delivered to the community, financial targets, expenditure targets etc. The entity's annual report must include an assessment by the accounting officer, of performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the performance of entities. Council should comment and draw conclusions on performance and explanations provided.	Has the performance met the Expectations of council and the community? Have the performance objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget?	Yes	n/a
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	Conclusions on these recommendations and the actions required should be incorporated in the oversight report.	Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations?	Yes, recommendations will be implemented.	
4. Disclosures – Allocations received and made – S 123 & 125 MFMA	**For Consideration**	**Questions**	**Response**	**Recommended Corrective Action**
123 (1)(a) Allocations received by the municipality from an organ or state, a municipal entity or another municipality.	The annual financial statements must disclose: Details of allocations received from another organ of state in the national or provincial sphere, municipal entity or another municipality Any other allocation made to the municipality under Section 214(1)(C) of the Constitution. Council should comment and draw conclusions on information and explanations provided.	Have allocations received by an organ of state, a municipal entity or another municipality been disclosed? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action?	Yes Yes No	n/a

123 (1)(b) Allocations made by the municipality to an organ of state, a municipal entity or another municipality.	The report should disclose: Details of allocations made to an organisation of state, a municipal entity or another municipality. Other information as may be prescribed. Council should comment and draw conclusions on information and explanations provided.	Have allocations made to an organ of state, a municipal entity or another municipality been disclosed? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action?	No allocation were made to other organ of state. Yes No	
125 Other compulsory disclosures and information in relation to outstanding debtors and creditors of the municipality and entities	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. Other disclosures required; Contributions to organised local labour and amount outstanding at year end Total amounts paid in audit fees, taxes, levies, duties and pensions and medical aid contributions and whether there where amounts outstanding at year end Name of bank where accounts held and year end balances Summary of investments held Contingent Liabilities Material irregular, fruitless or Wasteful expenditure Details of unauthorised Expenditure Particulars of non-compliance with the MFMA	Are all the compulsory disclosures contained in the notes to the Annual Financial Statements? Does the audit report confirm that the disclosures have been made?	Yes Yes Yes Yes Yes Yes	n/a

	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.			
123 (1)(c) – (f) Information in relation to the use of allocations received	Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include: 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. 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. 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.	Disclosure on how allocations received have been spent per vote Has the Municipality complied with the conditions of the grants received? Has the Municipality had any allocation per DORA, delayed or withheld? Does the Audit report or Audit Committee recommend any action?	Yes Yes No No	n/a

5. Disclosures Councillors, Directors and Officials in the notes to the Annual Financial Statements. Section 124 MFMA	For Consideration	Questions	Response	Recommended Corrective Action
124 (1) & (2) Information relating to benefits paid by municipality and entity to councillors, directors and officials	Information on the following items is to be included in the notes to the annual report and AFS: 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 time were outstanding for more than 90 days, including the names of councillors; Salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager; 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.	1. Have the salaries, allowances and benefits paid to Councillors and the Municipal Manager, CFO and Senior Managers been disclosed? 2. Is there a statement by the Accounting Officer, stating that salaries, allowances and benefits Paid to Councillors are within the upper limits of the framework envisaged in section 219 of the Constitution. 3. Have arrears for rates and services owed by Councillors, in which the arrears was for more than 90 days been disclosed including the name of the Councillor? 4. Have the salaries, allowances and benefits paid to members of the board of directors, CEO and senior managers of the entity been disclosed?	Yes Yes N/A N/A	n/a
6. Municipal Performance	**For Consideration**	**Questions**	**Response**	**Recommended Corrective Action**
The annual performance reports of the municipality and entities	Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report.	Has the performance report been included in the annual report? Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report?	. 1. The Annual Performance Report has been included in the Annual Report and is attached as Annexure A	n/a n/a

	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? 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? To what extent have actions planned for the previous year been carried over to the financial year reported upon? Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?	Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year? What actions have been taken and planned to improve performance? Is the council satisfied with actions to improve performance? 5. 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? 6. Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes? 7. Taking into account the audit Report and opinion and the views of the audit committee, is performance considered to be efficient and effective	2. All targets in the report are included in the budget, SDBIP, etc 3. The SDBIP is directly linked to the Performance Agreements of Section 54/56 and evaluated against targets and the budget. 4.Implementation of quarterly performance assessment of section 56 managers 4, Council is playing an oversight role in municipal performance, and performance reports are submitted to Council on quarterly basis. 5. All targets set in the SDBIP are directly linked to the Performance Agreements of section 54/56 managers. The AC considered performance as inefficient taking note of that there was no PMS unit during the beginning of the financial year under review	n/a n/a n/a n/a n/a n/a n/a The PMS systems are in place and policy framework was developed and adopted by Council. For 2024/2025 Financial Year IDP, SDBIP and budget will be adjusted to alignment.

Audit reports on performance	Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually.	1 Have the recommendations of internal audit been acted on during the financial year? 2. Have recommendations by the auditor-general been included in action plans to improve performance in the following year?	1. Yes the Recommendation of the Audit Committee were acted upon, for example, Council had adopted the Audit Plan and Charter. The impendence of the Auditors reporting directly to the MM has been strengthen	n/a
Performance of municipal entities and municipal service providers	The annual report of the municipality should provide an 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. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered. Is the council satisfied with the evaluation and conclusions of the municipality? What other actions are considered necessary to be taken by the accounting officers?	1. Has an assessment been included in the Annual Report on the performance of the municipal entities? 2. Has an assessment been included in the Annual Report on the performance of all contracted service providers?	No municipal entities is applicable in our municipality Report on performance assessment of external service providers is attached as an annexure on the Annual Report	n/a n/a
For municipal entities – an assessment 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 municipality	This is the separate report of the municipal entity and should contain details of service delivery agreements with the municipality and the performance measures therein. Council should consider similar issues to that outlined above for municipal performance to determine a view on the performance of municipal entities. To what extent were the objectives and performance measures of the entity aligned to the overall strategic objectives of the municipality and its IDP? Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality? What specific actions should be taken by the entity and the municipality to improve performance?	1. Has the entity performed in line with its service delivery agreements? 2. Have the objectives and performance measures of the entity been aligned to the overall strategy of the municipality?	n/a n/a	n/a n/a

7. General information	For Consideration	Questions	Response	Recommended Corrective Action
Relevant information on municipal entities	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses and contact details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.	1. Does the Annual Report include detailed information on all municipal entities?	n/a	n/a
The use of any donor funding support	What donor funding has the municipality received? Have the purposes and the management agreements for the funding been properly agreed upon? Have the funds been used in accordance with agreements? Has the use of funds been effective in improving services to the community? What actions need to be taken to improve utilisation of the funds?	1. Has there been disclosure of donor funding received in the Annual Report, if applicable?	n/a	n/a
Agreements, contracts and projects under Private-Public-Partnerships	Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.	1. Have details of all PPP's been disclosed in the Annual Report, if applicable?	n/a	n/a
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 or in statistical tables.	1. Is there a high level summary detailing the overall performance of the municipality against its strategic objectives?	Quarterly reports in the form of SDBIP detailed the overall performance of the municipality	n/a
Information on long-term contracts	Details of all long-term contracts including levels of liability to the municipality should be included.	1. Have all long-term contracts been disclosed?	Yes	Yes

	Council should ensure all information is correctly supplied.			
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.	1. Have significant IT activities been disclosed?	Yes	Yes
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.	1. Has a summary of the long-term capital plans been disclosed?	Yes, Capital budget included in the Annual Report	n/a
Supply Chain Management Regulations and Policy	Certain disclosures on Supply Chain matters are required to be in included in the Annual Report.			
7. Other considerations recommended	**For Consideration**	**Questions**	**Response**	**Recommended Corrective Action**
Timing of reports		1. Was the Annual Report tabled by 31 January, as per legislative requirements? 2. Has a schedule for consideration of the report been adopted?	1. The Annual Report was tabled to Council 29th January 2016 2. Not approved	n/a The final annual report with schedule will be submitted to Council for adoption together with the Oversight Report

Oversight committee or other mechanism		1. What mechanisms have been put in place to prepare the oversight report? 2. Has a schedule for its completion and tabling been adopted?	1. A schedule for the adoption of the Oversight Report has been tabled before the Oversight Committee. 2. The item with schedule for compilation of AR and OR was submitted to Council	n/a n/a
Payment of performance bonuses to municipal officials	Refer to Section 57 MSA 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 such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report. Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.	1. Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council? 2. If so has a proper evaluation of performance been undertaken? 3. Was the evaluation approved by council? 4. Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report? 5. Are the payments justified in terms of performance reported in the annual report?	1. The payment of performance bonuses is subject to the adoption of the Oversight Report by Council. 2. Evaluation has not been conducted by the Performance Evaluation Committee. 3. Not Yet Approved 4. Performance Evaluation Report is pending for submission to EXCO. 5. Payments are not yet done subject to council's approval. n/a	n/a n/a Performance Evaluations will be conducted in March 2016 as our schedule of activities. n/a

Conclusions on the Annual Report of the Municipality

The MPAC acknowledges with appreciation the improvement in the quality of annual reporting made by the management as affirmed by the Audit Committee.

As indicated in the Checklist for Annual Report as issued by Cogta and included in this report, 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 MFMA 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 Municipal System Act;
- The Auditor General's audit report in terms of section 45 (b) of the 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 the financial statements;

It is concerning however, that whilst the municipality is progressing fairly well in other areas, the Municipality is lacking in ensuring monitoring of Service Delivery Project to its completion.

The findings of the Auditor-General and management response thereto, are noted. It is therefore, imperative that the Audit Response Action Plan is monitored by all relevant governance structures including the MPAC on a regular basis.

The Committee also acknowledges the role played by the Internal Audit and the Audit Committee in so far as its advisory role is concerned.

Conclusion

The Committee thanks the Speaker of the Uthukela District Municipality, Councillors, the Mayor, Municipal Manager, the management team, the Auditor General, the Audit Committee and Internal Audit, for their support and cooperation in completing this annual report oversight process.

The Committee strongly believes that Uthukela District Municipality and its citizens will realize substantial and tangible benefits if a similar process is consistently followed in the following years. The Committee is grateful for the opportunity to be of service to Uthukela District Municipality and its citizens.