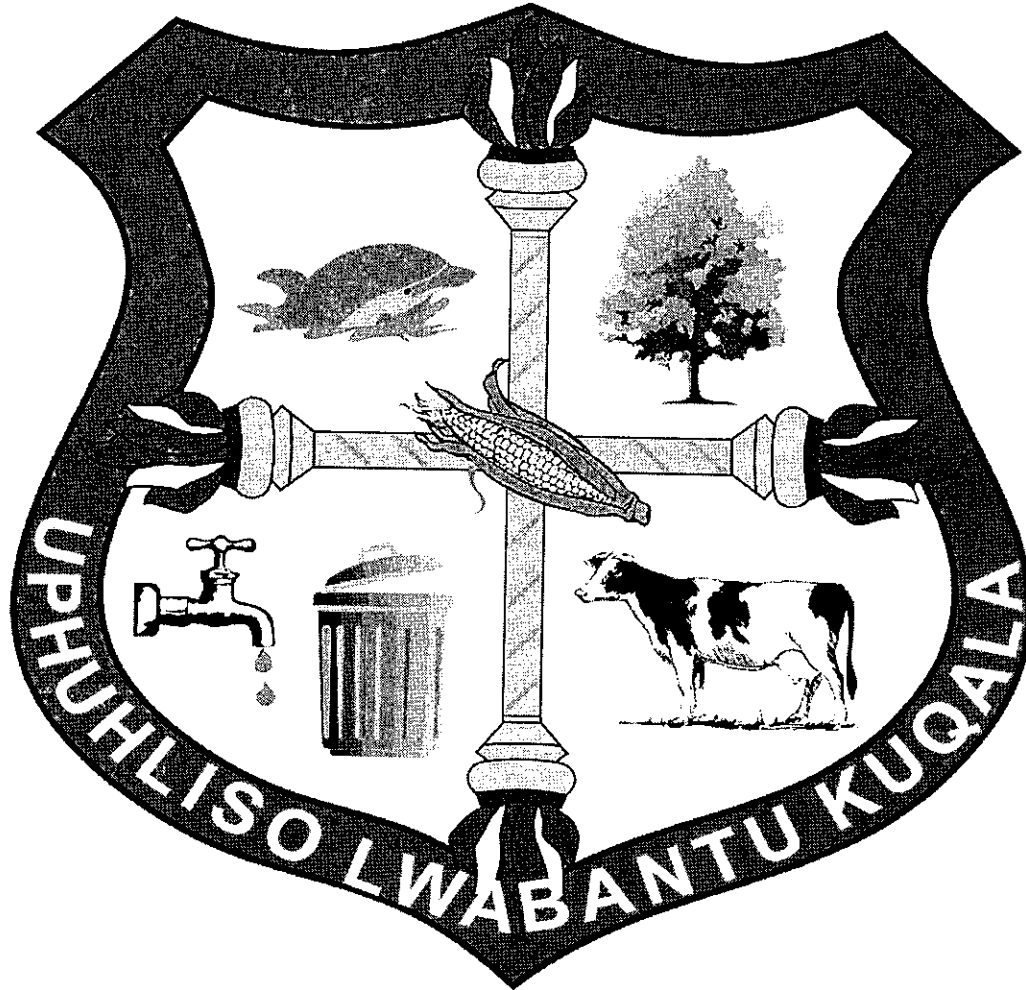


OVERSIGHT ON ANNUAL REPORT 2016/2017 FINANCIAL YEAR



# INGQUZA HILL LOCAL MUNICIPALITY

S. H. M

# OVERSIGHT REPORT ON ANNUAL REPORT 2016/ 2017 FINANCIAL YEAR

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Minutes and attendance registers attached as “**Annexure A**”

Questions sent to departments and report from site visits as “**Annexure B**”

Responses from departments as “**Annexure C**”

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## **Foreword by Chairperson: Honourable Councillor S.H. Mtshazo**

The local government oversight function is one of the cornerstones of democracy and an indicator of good governance. Basically, oversight responsibility remains a fundamental function of governance that is intended to certify the activities that are implemented as planned by providing a strategic direction to principal recipients, and further ensuring that policies and other procedural elements are adhered to. As this committee we have an understanding that both the executive and legislative powers rest with the Council and as such the powers we are having as the Municipal Public Accounts Committee are delegated to us by Council. In performing our delegated duties we are inspired by the vision and mission of our institution which remains a campus.

As the Ingquza Hill Local Municipality we pride ourselves for having repeatedly attained clean audit outcomes which becomes a living testimony of the fact that we practice and breathe good governance. This is the true reflection of the highest level of commitment and accountability from both the administrative and political arm of our institution.

This Council together with its administration remains an example of clean administration, however, we are still living with a challenge of balancing our clean administration with accumulation of service delivery towards the community.

### **1. Background**

Chapter 7 Section 152 of the Constitution of the Republic of South Africa states the objects of the Local Government, of which the very first one of these objects declares that government must establish democratic and accountable government to local communities. Furthermore, Section 79 of the Municipal Structures Act, No. 117 of 1998 as amended refers to the establishment of one or more committees necessary for the effective and efficient performance of any of its powers and Municipal Public Accounts Committee (MPAC) emanates from that instance. Moreover, Circular 32 and 63 of the Municipal Finance Management Act (MFMA) guide on the compilation of the Annual report and Oversight report thereof.

Good practice guide for Municipal Public Accounts in South Africa defines the oversight as the scrutiny and evaluation of actions of those entrusted with certain responsibilities or powers to check that they are discharging their responsibilities according to set policies and rules and are delivering expected outputs and outcomes. Municipal Public Accounts Committee is delegated with a noble responsibility to oversee performance and implementation of plans and tasks by Council.

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## 2. Legislative Framework

- Constitution of the Republic of South Africa, Act 108 of 1996,
- Municipal Structures Act, No.117 of 1998,
- Municipal Finance Management Act No. 56 of 2003
- Municipal Systems Act No. 32 of 2000 as amended
- Guidelines by Cooperative Governance & Traditional Affairs
- Circulars from National Treasury
- Municipal Public Accounts Committee Terms of Reference

## 3. Objectives of the report

The main objective of the report is to evaluate the extent of progress achieved by the departments in delivering plans for 2016/17 financial year as we focused on the following aspects:

- To measure and test the quality of the report against plans,
- Sought to establish whether the projects implemented in the year were in line with our budget and IDP
- Evaluation of the gaps , synergy, deficiencies and omissions in the implementation of the plans
- Check whether programmes and projects implemented in the annual report are in coherence with institutional policies

*Entailed in the report is the work from site visits and recommendations thereof.*

## 4. Alignment of the report with Service Delivery & Budget Implementation Plan (SDBIP) and Integrated Development Plan (IDP)

After His Worship, the Mayor tabled the Draft Annual report 2016/17 on 08 December 2017, it was noted and referred to the Municipal Public Accounts Committee in order to do oversight and report to the Council within 2 months. We can confirm to this house that there is clear alignment between the report and Service Delivery & Budget Implementation Plan (SDBIP).

Except the few areas where certain departments could not meet planned targets, however, the reasons accounting for the non-achievement were provided by the departments and remedial actions were also stated. Technical Services department is the core department for delivering basic services to our communities.

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## **5. Committee meetings**

- On 18 January 2018, the Committee met at Lusikisiki unit to review the report.
- On the 1<sup>st</sup> February 2018, the Committee met to identify the projects to be visited.
- On the 5<sup>th</sup> and 6<sup>th</sup> February 2018 site visits were conducted on identified projects, and portfolios of evidence were requested from the departments
- A working session was held on 09 February 2018 to formulate questions for hearings with departments
- Meeting on 19 February 2018 to consolidate the final oversight report
- Contact session with Portfolio Heads on 19 March 2018

## **6. Report on site visits and findings**

### **• Tembukazi to Tyaba Access Road: Ward 1**

On the project the committee found that 100% completion is questionable as the most of the issues raised were not addressed. The cement slab is cracking, seemingly the mixing was not done properly. There are no headwalls in the drainage system. There are places which require storm water drains. The stone pitching not enough and there is a need of the bridge. The overall project was poorly constructed.

### **• Zulu to Matunzini Access Road: Ward 04**

The committee discovered that there is a need for V shaped drain near Mathunzini Bridge and this was raised in the 4<sup>th</sup> Quarter report sites visits but was not attended to. There is an incomplete job for storm water drain next to Mahlangeni where water overflows the drain .On the road there is need for road signs.

### **• Ngqwabeni Access Road : Ward 07**

The committee discovered that there is a gap that need to be fixed between the gravel road and the concrete slab near Ngqwabeni village and that there is a need for storm water drain before the end of the road at Maliwa village as the water streams will erode the access road in the future. There is a need for road signs.

### **• Mhlanga to Mkhumbi Access Road: Ward 08**

The Committee discovered that some of the water drains are closed by soil erosion and as such there is a need for wire net to avoid the blockage of the storm water drains, there is a need for V-shaped drains on the left of the road, the road need to be shaped as it allows one vehicle to drive at a time. There is a need for storm water drain near the bridge.

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- **Ngqandulo Access Road: Ward 09**

The committee visited the access road on review of 4<sup>th</sup> Quarter Report 2016/2017 and there is no movement from that period. Contractor still on site, no head walls and pipes, storm water drains needed, near the bridge water need to be directed, and the gravel is loose.

- **Suncity via Nzimase to Mzenge Access Road :Ward 10**

The committee visited the access road and the other part of the road is at road bed stage and the other part is at processing stage and the construction of the bridge is complete.

- **Mampondweni Community Hall: Ward 10**

The Committee visited the project and discovered cracks on one of the water tank stand, and that there is a need for an intervention on the issue of soil erosion that affects the infrastructure for sanitation.

- **Sicwentsa 134 Households :Ward 11**

The Committee discovered that some boxes from 4 different households are not sealed and the project according to the report is reported at 100%.

- **Lumayeni Access Road :Ward 13**

The committee visited the project and find that the road has no storm water drains and that there is a need for a circle at the end next to the clinic. Stone pitching water drains not enough. According to the department the road is at 87 %.

- **Joe Slovo Walkway- Ward 15**

The committee visited project and discovered that the steel rails where the project is joining tar road have fallen and seemingly more will fall if not prevented, the committee discovered that the bolts used to install these rails are very short. The slab is cracking and there is a need for v drain at the point of joining the tar road and as the result the slab is badly damaged.

- **Mpungutye Access Road: Ward 17**

The Committee visited the project during review of the 4<sup>th</sup> Quarter Report 2016/2017 but the state of the road is still the same (issues which were raised are still the same)

- **Baleni Access Road :Ward 22**

On Baleni access road the committee discovered that there are no storm water drains, the portion of the roads towards the river is badly eroded and that the eroded part is very steep and concrete slab is suggested. There is a need for a v shape drain.

- **Bambatha Cinani Community Hall: Ward 28**

The Committee visited the Community Hall it is 100% complete and awaiting handover.

- **Mkentengeni Access Road: Ward 28**

The Committee discovered that the road signs are not available, Construction of head walls are in progress and the project estimated at 95%. The Council informed the committee members that they agreed on 500 metres concrete slab and the contractor constructed 150 metres slab, the committee requested scope of work.

- **Ingquza Hill Access Road: Ward 32**

The Councillor for Ward 32 informed the committee that the community takes decision on the project on what to be done, and the project is still under construction in a slow pace.

- **Zwelibongile/ Cwija Community Hall: Ward 32**

The Committee visited the hall and discovered that Electricity not yet installed, there is leakage on the roof and water tank stand cracked.

- **Ward 28 – Sidakeni Electrification Project**

- 100% installation of electricity

- **Ward 06 – High Msts**

- All 5 high masts are working

- **Ward 06 –Mthwaku Sports Ground**

- Control measures on the soil erosion in place
- Grass still on developing stage
- Sport ground well flattened

- **Ward 30 - Polokwana Electricity Installation**

- 100% installation of electricity

- **Ward 17 - Dick Extension (electrification)**

- The project is 100% complete

- **Ward 15 High - Masts**

- All the high masts are working and are 100% complete

- **Ward 14 - Mcwabantsasa Electrification**
  - The project is complete as all 16 house -holds left were all also fixed successfully
- **Ward 19 - France Electrification**
  - The project is 100% complete
- **Ward 19 – High-Masts**
  - Project is 100% complete and all the high masts are working
- **Ward 23 Nkanini Electrification (130 h/h)**
  - The project is 100% complete
- **Ward 20- Tyeni Electrification (130 h/h)**
  - The project is 100% complete

## 7. Engagements with departments

The committee invited Portfolio Heads (Infrastructure & Engineering Services, Planning & Development, Budget & Treasury, Good Governance and the Mayor) to a contact session to respond on clarities relating to the report and from site visits except for Community Services & Corporate Services departments as the committee was satisfied with their reports. All departments were available on the day of the contact session and made provision of written responses to the committee and provided satisfying portfolios of evidence where there was a need.

Amongst other key issues that were noted by the committee when reviewing the report is the issue of low revenue collection and the challenges around that. The municipality is still experiencing the non-payment of rates by the rate payers. However, the municipality have put some measures in place to enhance revenue base e.g. data cleansing, update indigent register, negotiate discounts with debtors, utilise IGR avenues to be paid by government, etc.

On basic service delivery the committee noted that on most projects that the committee made recommendations previously were not attended to by the responsible department e.g. issues of Tembukazi – Tyaba access road at ward 01 and Ngqandulo access road at Ward 09. . Although there are no deficiencies and omissions on the implementation of the plans but there is a concern on the projects that are not finished on time. This leads to many projects being rolled over to the next financial year. The committee has also observed the poor workmanship on the construction of community halls and access roads.

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On Good Governance, Planning & Development and Budget & Treasury the committee was certified with the responses provided during the engagement.

**Following are the questions of clarities that were submitted to Portfolio Heads:**

### **7.1. Basic Service Delivery**

The clarity seeking questions for Basic Service Delivery were based on the overall site visits that were conducted on 05 – 06 February 2018

### **7.2. Planning and LED**

- One housing needs register - was it developed, if yes please provide evidence
- 6 Cooperatives were supported with inputs or equipment – please provide portfolio of evidence  
(Lower Mzenge – Ward 10, Khonjwayo Vege & Poultry – Ward 19, Sanaga Project – Ward 26, Vezubuntu Project – Ward 10, Siyakhula Baking Making Project Ward 30 & Lingelihle Agricultural – Ward 21)
- Provide list of 50 beneficiaries of hawker stalls
- On the Auditor General's Report: Material Impairments – Sale of sites
  - As disclosed in note 41 to the financial statements, material losses to the amount of R4, 63 million were incurred as result of sites sold below market value, **please clarify the matter.**

It has come to the attention of the committee that there are farmers' projects (Xopozo Ward 08, Hollycross – Ward 28, Mkamela – Ward 25, Bhala – Ward 31, Luqhoqhweni – Ward 29 and Maliwa – Ward 07 ) that were assisted by the municipality, but they do not appear on any of the documents i.e. SDBIP and Draft Annual Report 2016/ 2017. You are requested to provide a report regarding these projects.

### **7.3. Budget & Treasury**

Provide clarity on:

- **Material Impairments – Consumer Debtors**
  - As disclosed in note 35 of the Financial Statements, material losses to the amount of R5, 58 million (2015 – 16: R5.47 million) were incurred as a result of impairment of consumer debtors, please give clarity on the matter.
  - Provide progress on the audit action plan.

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#### **7.4. Good Governance**

- Please provide a written response stating strategies that will assist in enhancing revenue collection.
- Provide portfolio of evidence on the publication of Draft Annual Report 2016/ 2017 for public comments after being tabled by the Mayor to the Council meeting held on 08 December 2017.

**NB:** The responses on the questions as raised above to the departments are categorically and clearly articulated on attachments found within the report pack.

#### **8. General comments**

As we have alluded on the objectives of this report in page 4. The Committee's focus was to measure and test if the quality of the report meet the requirements of the pieces of legislation as set out in the Municipal System Act, No 32 of 2000 and the Municipal Finance Management Act No 56 of 2003.

The committee confirms that the report complies with all the required statutes and was presented to the Council by the Mayor within the stipulated time. The content of the report is in line with our planning documents as alluded to in page 4. Although there are no deficiencies and omissions on the implementation of the plans but there is a concern on the projects that are not finished within the set targets e.g. the issue of rollovers which happen every financial year. We would like to call on the municipality to find an amicable solution on this.

For three financial years in successions the Ingquza Hill Local Municipality have been getting a clean audit opinion, due to the effectiveness of the Audit Committee led by Dr Mancotywa. We commend the work of Audit Committee in giving advice in the form of recommendations to the Council.

As much as we commend the municipality for fulfilling the commitment of taking basic services to the communities with the available limited resources in terms of grants from national & provincial spheres of government. The committee noted some problems that might be caused by the weakness in the monitoring system of the appointed services providers e.g. projects of poor quality like construction of community halls and projects that take too long to be finalized. We would like to advise the Executive Committee to intensify the monitoring measures especially on Basic Service Delivery because it compromises the municipality. The committee appreciates the progress made on the Audit Action Plan and will monitor it constantly,

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however, Technical Services do not have targets on its action plan and will be reviewed on 3<sup>rd</sup> Quarter Report 2017/2018.

When we were doing sites visits, we identified a gap between the oversight committee i.e. Project steering committee (PSC) and the implementing parties, therefore we advise that the oversight committee be furnished with the scope of work for the projects identified for visits, in order to play a meaningful oversight.

We have also noted that the things that were resolved by the Council when it adopted the in-year oversight reports were not implemented. The Committee urge the Executive committee to ensure that all Council resolutions are implemented.

The committee have noted that the Annual report was publicised as required by section 127 (5) (a), but no comments were received from the members of the public. We advise that, the Executive Committee and Public Participation and Petitions Committee should have awareness programme to ensure that the members of the public are aware that every document that is publicised for comments they should make comments and also encourage the use of IsiXhosa in all municipal documents. Lastly, we understand that Ward Councillors are very busy and we would like to assure them that we are taking their concerns into consideration. We urge them to avail themselves during sites visits on their Wards.

## **9. RECOMMENDATIONS FROM THE COMMITTEE**

### **In overall the committee recommended that:**

- The municipality should deal with the challenge of over commitments in order to minimise rollovers,
- The committee is recommending that the Council through the Mayor should again pursue the request of the distribution licence for electricity for the municipality to use the services to generate revenue,
- The engagements with rate payers and appointed task team should be fast tracked, and the whole process should be concluded by 30 June 2018,
- Lastly, the committee scrutinized the report and did not find any anomaly, we therefore recommend to this Council to adopt the Oversight Report on Annual Report 2016/ 2017 financial year with no reservations.

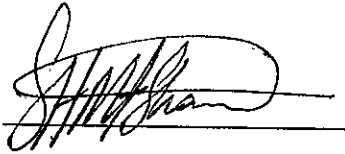
## 10. Conclusion

As we conclude this report, we have to reiterate the fact that oversight does not start and end with the MPAC but each and everyone within council structures should diligently exercise his/her role to ensure that accountability really prevail as it is one of the pillars of good governance.

Furthermore, we would like to declare to this Council that we have found the Annual Report 2016/ 2017 financial year aligned with the planning documents, however, there is still a lot that needs to be done in ensuring that all targets are met on stipulated times. We urge the Executive Committee to steer vigorously the implementation wheel to be able to deliver services to our beloved communities on time.

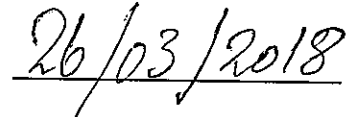
Lastly, we wish to express our sincere sentiments of gratitude from everyone who has actually provided cooperation throughout the process of reviewing this report without their cooperation we would not be presenting this report today.

**Signed by:**



**S.H. Mtshazo**

**Chairperson of the Committee**



**Date**