



JOZINI LOCAL MUNICIPALITY

Oversight Report

2014/2015

This Oversight Report is based on the Annual Report 2014/2015 and is submitted in accordance with the Municipal Finance Management Act (MFMA), No. 56 of 2003

Jozini Local Municipality

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“Brighter future depends on how we utilize present time and resources”



Jozini Dam wall

1. Introduction

1.1 Purpose

The purpose of this oversight report is to present to Council for the adoption of the final Annual Report 2014/2015 financial year as required in terms of Section 129 of the Municipal Finance Management Act, Act 56 of 2003 (MFMA).

1.2 Background

The Jozini Local Municipality's Public Account Committee takes pride in presenting this assessment of the Municipality's performance for the year under review 2014/2015. This has not been an easy period after coming from an unpalatable audit evaluation in the previous year. Our focus was not only on ensuring that we improve this rating but also to ensure that the administration as well as the elected perform more transparently and by adhering to good corporate government protocols.

The annual report, we are reviewing, is an important document that seeks to account to the electorate how the Municipality has performed against set targets as enshrined in the Integrated Development Plan (IDP) read with the Service Delivery Budget Implementation Plan (SDBIP). This report also contains both financial and non-financial performance overview as assessed by the Auditor-General

2. Annual Report 2014/2015

2.1 Legal Framework

Presentation of the Annual Report is governed by the hereunder extract from key legislative requirements as per the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA) relating to the Annual Report and that is:-



“121. Preparation and adoption of annual reports.

(1) Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control in accordance with section 129.

(2) The purpose of an annual report is—

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

127. Submission and tabling of annual reports

(2) The mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control

129. Oversight reports on annual reports.

(1) The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight

report containing the council's comments on the annual report, which must include a statement whether the council—

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

2.2 Components of the Annual Report

The Annual Report 2014/2015 is written in consistence with MFMA Circular No. 63 divided into six (6) Chapters covering a range of municipal activities and functions. All the chapters were duly scrutinised by all directorates and performance information submitted to municipal internal audit committee structures. The Annual report also contains various Appendices as well as the final Audit-General report and certification as required in terms of section 121 (3) of the MFMA:-

3. Annual Report Consultation & Adoption Process

3. Annual Report Consultation & Adoption Process

3.1. Municipal Public Accounts Committee

In terms of Council resolution, a Municipal Public Accounts Committee (MPAC) was established in terms of Section 79 of the Structures Act, 1998. In terms of the Terms of Reference of this committee it is, inter alia, responsible to perform oversight over the process of preparing the Annual Report of Council and to produce an Oversight Report based on the Annual Report.

MPAC currently consists of the following members:

- | | | |
|------|----------------------|---------------|
| i) | Cllr. T.L. Mathenjwa | (Chairperson) |
| ii) | Cllr. B.N. Khumalo | Member |
| iii) | Cllr. J.E. Buthelezi | Member |
| iv) | Cllr. K.N.C. Dlamini | Member |
| v) | Cllr. D.M. Mthembu | Member |
| vi) | Cllr. M.L. Mavundla | Member |

3.2 Adoption and Public Consultation Process

The draft Annual Report 2014/2015 was tabled to Council on 04 February 2016, in compliance with the Municipal Finance Management Act (MFMA), No. 56 of 2003 which requires under Section 127(2) that:

“The Mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality.”

The draft Annual Report 2014/2015 was made public on the Municipal Website within five (days) and on 18 February 2016 in the local newspaper (Isolezwe) after it was approved by Council on 04 February 2016. The closing date for public comments was on 29 February 2016.

Members of the community and other stakeholders were invited to submit written comments/inputs into the Draft Annual Report. In addition, the Draft Annual Report 2014/2015 was also made available at Municipal Libraries, public amenities and other identified offices. However, no submissions from the public or other institutions were received.

3. Annual Report Consultation & Adoption Process

The Annual Report was furthermore also submitted in terms of Section 127(5)(b) to the Auditor-General of South Africa, Provincial Treasury and the Department of Local Government.

3.3 Matters Discussed by MPAC on 29 March 2016

A special meeting of the MPAC was convened on 29 March 2016 to discuss and consider the adoption of the 2014/2015 Annual Report. The Committee discussed the following aspects of the report:-

3.3.1 Municipal Governance (Page 22)

MPAC raised concern on the high vacancy rate at Senior and Middle Management levels in the municipality. This was a serious concern, that was equally shared by the A-G, in that institutional memory was lacking and continually being eroded in the municipality which at times compromises municipal efficiency and effective decision making. At one stage only one senior manager existed as the others were either on suspension and or had resigned. MPAC remarked that if this situation still persisted in the new year 2015/2016 the municipality might also find itself rated negatively by the A-G.

Nevertheless, MPAC acknowledged the support provided by the Provincial Cooperative Government and Traditional Affairs department by identifying and recommending the then Acting Municipal Manager to captain the Municipal Administration during the last quarter of the 2014/2015 financial year. The contribution and strategies to further move the ship from the rocks was positively noted.

3.3.2 Financial Sustainability (Page 121)

It was noted that the financial standing of the Municipality had improved slowly under year review and the year was closed with a positive bank balance as compared to the previous year. However, the challenge faced by Jozini being a rural municipality land locked in Ingonyama Trust Board land and this presenting a challenge with regards to collecting revenue effectively. MPAC implored the Administration to suggest other mechanisms to engage ITB and *uBukhosi* locally to deal with this issue in a smart and innovative way.

Following questions on financial sustainability, the Municipal Manager indicated that although the financial performance of the Municipality for the reporting period reflects a tight position as seen in the liquidity levels,

3. Annual Report Consultation & Adoption Process

this should be viewed within the bigger context of a national financial picture which is under stress. It was hoped that in the new year more targeting related to what % the revenue would be increased by should be set and the administration work towards achieving those targets. MPAC directed that while it noted this but strict financial control should be the order of the day.

3.3.3 **Service Delivery Impact (Page 32-35)**

Jozini Municipality not being a water services authority on its own is a challenge as the District which is charged with this function has many challenges thus causing local municipalities to fund unfunded mandates, MPAC noted.

With regard to Electrification projects it was noted that the lack of harmony between financial years of National Government, funders of all Electrification programs, and Municipality has challenges as planned projects are not completed within Municipal calendar year but over run into the new year(s) in perpetuity. The backlog in electrification stood at 73.7% in 2014/2015 financial year as the budget was not adequate and other projects being forced to be shelved, while alternate means are designed to seek funding from the Development Bank of South Africa (DBSA). On a positive note MPAC was satisfied with the report that a business plan was submitted to DBSA for front loading in order to proceed with the projects in 2015/2016.

The capital backlog still look not good hence the reduction of backlog by 2030 was agreed upon by the municipality. This to be funded by a variety of sources i.e. MIG, INEG and own funding. During the 2014/2015 financial year 87% of the MIG grant was spent on Community Halls, Taxi Ranks and Sports Fields. More focus in the New Year should be placed on most deprived Wards MPAC remarked.

3.3.4 **Auditor-General's Opinion (Page 138-160)**

MPAC was not fully impressed by, what they termed a 'yoyo-effect' as demonstrated by the administration. In one year they are rated as having performed better, the very next year, perform dismally, the following, registers a slight improvement. This the members in chorus stated that they demand a total clean audit rating and not regressing mode. However, having said the above it acknowledged the effort played by the administration to at least move

3. Annual Report Consultation & Adoption Process

the municipality away from a disclaimer to a qualified rating. They said there was room for improvement in the new year.

MPAC noted with good interest the existence of a road map designed to address all audit quarries and the Thursday Audit Steering Committee meetings held by the Administration and attended by External Auditors for support. Having said the above the failure to fill critical senior posts would certainly wipe all the gains made in 2014/2015 and directed the Municipality to pay serious attention into the filling of advertised senior manager's posts for stability and enhanced service delivery.

4. Key Achievements from the Annual Report

After all has been written and noted, as the Chairperson of the Municipal Public Accounts Committee I would like to highlight the following key achievements as reflected in the 2014/2015 Annual Report Executive Summary:-

- a) Receipt of qualified audit opinion was expressed by the Auditor General in respect of the year under review an improvement from a disclaimer the previous year
- b) The Municipality achieved a 65.46% spending rate on the capital budget.
- c) The overall financial performance of the Municipality shows an improving trend where revenue increased of R21 841 875 and expenditure increasing by R14 768 439
- d) A new organizational vision and mission developed at the strategic planning session
- e) Possibility to positioning Jozini Local Municipality as the economic hub of the Far North with plans already ahead in Ndumo and plans to improve road networks to promote Lebombo Corridor and Tourism



uPhongolo River
(Pic taken at
Mammfene)

5. Conclusion

On behalf of MPAC Committee Members I would like to extend words of thanks to the Mayor, the Executive Committee, the former Acting Municipal Manager and Management Committee, as well as the various contributors to the Annual Report 2014/2015 for their diligence and constructive commitment during the oversight period. Issues reported warranting further investigation it is hoped progress and final reports would be tabled before Council in the new year 2015/2016. I implore MPAC members to continue to be vigilant and provide guidance to the administration at all the times.

The MPAC is satisfied that the 2014/2015 Annual Report was prepared in line with the new format and captures both financial and non-financial performance accurately for the period under review and therefore would like to recommend the adoption thereof.

6. Recommendation

In accordance with Section 129(1) of the MFMA it is **RECOMMENDED** to Council:-

That it -

- 6.1 Adopts the Oversight Report of the Annual Report 2014/2015;
- 6.2 Adopts the Annual Report 2014/2015 without any reservations;
- 6.3 Make public the Oversight Report 2014/2015 in terms of Section 129(3) of the MFMA, and;
- 6.4 Submit the Oversight Report on the Annual Report 2014/2015 to the Provincial Legislature in accordance with Section 132(2) of the MFMA.

CLLR. THEMBINKOSI L MATHENJWA

CHAIRPERSON:

Municipal Public Accounts Committee (MPAC)