**C 3002/01/2023**
**SMC A/5975/01/2023**

## 9.A.1 [CS]: MPAC (MUNICIPAL PUBLIC ACCOUNTS COMMITTEE): OVERSIGHT REPORT IN TERMS OF SECTION 129 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, ACT 56 OF 2003, ON THE 2021/22 ANNUAL REPORT

**3/2/3/2/15**

**COMPETENCY: COUNCIL**

**IT WAS UNANIMOUSLY RESOLVED:**

1. That the Oversight report, as approved by the MPAC Committee and signed by the MPAC Chairperson, attached to this report as Annexure “A”, be noted.
2. That in terms of Section 129 of the Local Government: Municipal Finance Management Act, No. 56 of 2003, the 2021/2022 Annual Report be approved without reservation.
3. That the recommendations of MPAC be endorsed and that the Mayoral Committee monitor progress on the mentioned issues.

**Note:** It was resolved that Recommendation 2.4 of the MPAC recommendation be amended to read:

“2.4 Annual Report: That management must put measures in place to assure the quality of the Annual Report.”

**C 3002/01/2023**
**SMC A/5975/01/2023**

**9.A.1 [CS]: MPAC (MUNICIPAL PUBLIC ACCOUNTS COMMITTEE): OVERSIGHT REPORT IN TERMS OF SECTION 129 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, ACT 56 OF 2003, ON THE 2021/22 ANNUAL REPORT**

**3/2/3/2/15**

**COMPETENCY: COUNCIL**

**PURPOSE**

To submit the 2021/22 Oversight report on the 2021/22 Annual Report, as prescribed by Section 129 of the MFMA.

**RECOMMENDATIONS**

1. That the Oversight report, as approved by the MPAC Committee and signed by the MPAC Chairperson, attached to this report as Annexure “A”, be noted.
2. That in terms of Section 129 of the Local Government: Municipal Finance Management Act, No. 56 of 2003, the 2021/2022 Annual Report be approved without reservation.
3. That the recommendations of MPAC be endorsed and that the Mayoral Committee monitor progress on the mentioned issues.

**REPORT**

The Municipal Public Accounts Committee, at its meeting held on 18 January 2023, approved the Oversight Report on the 2021/2022 Annual Report and recommended that Council adopt the 2021/2022 Annual Report, without reservations.

Attached as Annexure “A” is the 2021/22 Oversight Report as adopted by the MPAC committee and signed by the MPAC Chairperson.

The Annual Report is included in this Agenda as item C 3006/01/2023.

**Annexure "A"**

**[MPAC]: OVERSIGHT REPORT IN TERMS OF SECTION 129 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003: 2021/2022 ANNUAL REPORT: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)**

**3/2/3/2/15**

**COMPETENCY: COUNCIL**

**PURPOSE**

To submit the Oversight Report on the 2021/2022 Annual Report, for consideration.

**RECOMMENDATIONS**

1. That in terms of Section 129 of the Local Government: Municipal Finance Management Act, No. 56 of 2003, the 2021/2022 Annual Report be approved without reservation.

2. That the recommendations of MPAC be approved and that the Mayoral Committee monitor progress thereon and give feedback on a quarterly basis to MPAC.

   2.1 Consumer debtor's balance: That continuous effort be made to improve debt collection.

   2.2 Electricity losses: That measure be put in place by management to prevent the loss of electricity and that action be taken against persons who contravene the Electricity By-laws.

   2.3 Water losses – That measures be put in place by management to prevent the loss of water and that action be taken against persons who contravene the water By-laws.

   2.4 Annual Report: That management must put mechanisms in place to assure the quality of the annual report.

**REPORT**

The Municipal Public Account Committee of Midvaal (MPAC) must consider the 2021/20 Annual Report as well as the report of the Auditor- General attached as Annexure 'A'. The MPAC noted that Midvaal Local Municipality received it 9th "clean" audit report.

**DISCUSSION: MATTERS OF EMPHASIS**

The Auditor-General states in the attached Annexure 'A' that the audit evidence that was gathered is sufficient for him to provide his audit opinion. In his opinion the financial statements as at 30 June 2022 represent fairly and in all material respects, the financial position of Council.

He raised the following matters of emphasis that MPAC considered with a view to assist management, namely:

**Material impairments**

1. As disclosed in note 4 to the financial statements, the consumer receivables balance has been significantly impaired. The allowance for impairment of consumer debtors amounts to R123 744 090 (2020-21: R107 294 475), which represents 42% (2020-21: 44%) of the total consumer receivables.

2. As disclosed in note 5 to the financial statements, the receivables from non-exchange transactions balance has been significantly impaired. The allowance for impairment of receivables from non-exchange transactions amounts to R262 760 834 (2020-21: R191 166 833), which represents 71% (2020-21: 66%) of the total receivables from non-exchange transactions.

**Material losses - electricity**

3. As disclosed in note 28 to the financial statements, material electricity losses of R41 134 304 (2020-21: R61 051 964) was incurred, which represents 11% (2020-21 :18%) of total electricity purchased. Technical losses amounted to R22 623 867 (2020-21: R18 315 589). Non-technical losses amounted to R18 510 437 (2020-21: R42 736 375).

**Material losses – water**

4. As disclosed in note 28 to the financial statements, material water losses of R49 059 714 (2020-21: R47 882 611) was incurred, which represents 37% (2020-21 :38%) of the total water purchased. Technical losses amounted to R33 360 606 (2020-21: R39 742 567). Non-technical losses amounted to R15 699 108 (2020-21: R8 140 044).

**COMMENTS AND RECOMMENDATIONS FROM MPAC.**

With regards to the material impairments the following:

1. Consumer debtors balance: That continuous effort be made to improve debt collection.

2. Electricity losses: That measures be put in place by management to prevent the loss of electricity and that action to be taken against those who contravene the Electricity By-laws.

3. Water losses: That measures be put in place by management to prevent the loss of water and that action to be taken against those who contravene the Water By-laws.

Annual Report: That management must with regards to information provided from the Annual Report, put in place mechanisms to verify the information.

**CONCLUSION**

The clean Audit Report on the 2021/2022 financial year is again welcomed. The MPAC is of the opinion that the Executive and Administration should be acknowledged for the hard work done to obtain a clean audit report.

The MPAC will continue to carry out its oversight role, namely, to assist the Municipality to be accountable to its ratepayers and to make meaningful recommendations to assist the municipality.

The MPAC Committee therefore, at its meeting held on 18 January 2022, unanimously resolved to recommend that 2021/2022 Annual Report be approved in terms of Section 129 of the Local Government: Municipal Finance Management Act No. 56 of 2003 without reservation.

01-02-2023

CLLR PM. LEHLOKA — DATE:

CHAIRPERSON