

RESOLUTION OF THE COUNCIL OF POLOKWANE LOCAL MUNICIPALITY

DATE OF RESOLUTION: 26 MARCH 2025

RESOLUTION NO: CR232/03/25

ITEM – 6.11

MPAC OVERSIGHT REPORT ON THE 2023/24 ANNUAL REPORT

RESOLVED THAT:

The 2023/24 Oversight Report on the 2023/24 Annual Report of Polokwane Municipality and its Entity Polokwane Housing Association (PHA) be adopted as recommended by the Municipal Public Accounts Committee (MPAC) that:

- (a) The 2023/2024 annual report be approved without reservations.
- (b) The 2023/2024 Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
- (c) The Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.
- (d) Written notices be given to poor performing contractors and service providers as stated within the Annual Performance report, to enable the municipality to reject their Bids for future projects as per Section 38 1 (d) (ii) of the Municipal Supply Chain Management Regulations of 2005 by 30 April 2025. Furthermore, progress report be presented to council by 30 June 2025.
- (e) The Municipality and its entity should prior the adoption and publication of the final report (26 March 2025), correct all errors identified within the annual report as detailed within the checklist.



OFFICE OF THE SPEAKER

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- (f) Polokwane housing Association establish an electronic record management system, which will assist during audit period by 30 June 2025.
- (g) Consequence management be instigated against persons in service of the Municipality whose close family members had a business interest in contracts awarded by the Municipality, nonetheless, failed to disclose such interest by 30 June 2025. Furthermore, progress report be presented to Council during its sitting of the 29 July 2025.
- (h) Management should generate a work plan to expedite the delayed Softball stadium construction, preventing potential wasteful and irregular spending by 30 April 2025.


CLLR KOBELA WELHEMINA MODIBA
COUNCIL SPEAKER

2025/03/26
DATE



OFFICE OF THE SPEAKER

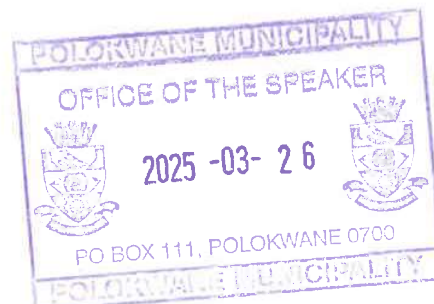
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**OVERSIGHT REPORT ON 2023/2024 ANNUAL
REPORT
PRESENTED TO COUNCIL**

26 MARCH 2025



FOREWORD BY THE CHAIRPERSON OF MPAC

In accordance with the provisions of Section 79(A) of the Municipal Structures Act, no 117 of 1998, a Municipal Council must establish a committee called Municipal Public Accounts Committee. (a) Municipal Public Accounts committee to review Auditor-Generals reports and comments of the management committee and the audit committee and make recommendations to Council. (b) Initiate and develop the oversight report on annual reports contemplated in section 129 of the Local Government: Municipal Finance Management Act. The Municipal Public Accounts Committee (MPAC) of Polokwane Municipality was established by Council and the focus of MPAC is to assist Council to hold the executive to account, play oversight role on behalf of council and ensure the effective and efficient use of municipal resources.

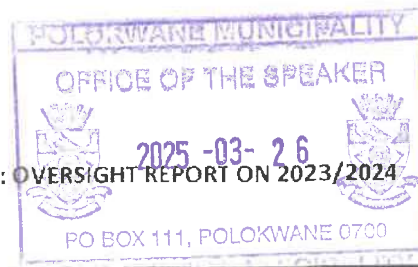
The Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council with regard to the Annual Report and the preparation of an Oversight Report. Given the process required by Council to effectively undertake its oversight role, the establishment of the Municipal Public Accounts Committee (MPAC) of Council provides the appropriate mechanism through which Council can fulfil its oversight responsibilities. This time MPAC's primary role was to consider the Annual Report, probe and prepare Oversight Report for consideration by Council.

In the light of this responsibility, The Executive Mayor on the 30 January 2025 tabled the 2023/2024 Annual Report of Polokwane Municipality for consideration. Council subsequently referred the 2023/2024 Annual Report to MPAC for probing and Oversight.

MPAC noted improvements in certain performance areas, as reflected in the 2023/24 Annual Report and also noted areas of unsatisfactory performance and underperformance in some areas as reflected in the Oversight Report. As a result, MPAC has raised concerns and made recommendations on a number of issues that require immediate intervention by the Council. MPAC urge that management improve on areas of underperformance on municipal projects.

It is my belief that if Council considers these recommendations and the administration implements them fully, the municipality should move from unqualified Audit opinion to a Clean Audit opinion. The committee appreciate that the municipality has retained the unqualified audit opinion. The committee also noticed a decrease in number of findings raised by AG, however there is a need for improvement in reporting and review of the reported information. The committee is dissatisfied with the entity (Polokwane Housing Association) for regressing to qualified audit opinion, the Entity must address the issues raised by AG and aim at achieving a Clean audit.

Finally, I would like to extend special gratitude to the members of MPAC for their contribution, dedication and hard work in ensuring that this report was compiled and tabled in Council on time. I would also like to thank the administration led by the Municipal Manager for their cooperation with MPAC and MPAC support staff for their administrative support in ensuring that the activities assigned to the committee are fulfilled including the success of this Oversight Report.



MEMBERS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE



Cllr Phoshoko MS – Chairperson



Cllr Makhafole MD



Cllr Phukule D



Cllr Clarke SE



Cllr Kganyago MS



Cllr Ramaphakela MF



Cllr Moshoeu PE



Cllr Sathekge MW



Cllr Thetleng OM



Cllr Murwa P - Whippery

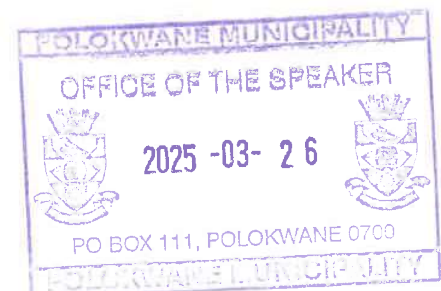
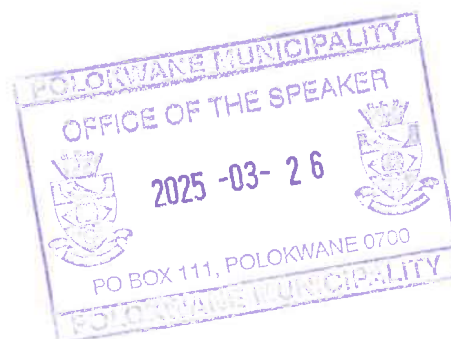


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Cllr MS PHOSHOKO

Ext. 2529

DIRECTORATE: LEGISLATIVE SUPPORT (OFFICE OF THE SPEAKER)

FILE REF: 26/03/25

**REPORT OF THE CHAIRPERSON: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE -
OVERSIGHT REPORT ON THE 2023/2024 ANNUAL REPORT**

1. INTRODUCTION

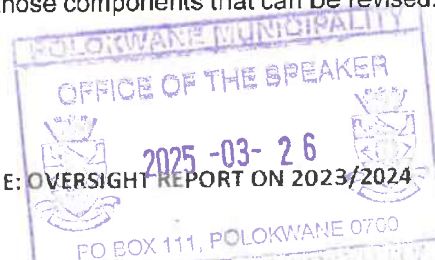
The Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA) read together with Local Government: Municipal Structures Act 117 of 1998, assigns specific oversight responsibilities to Council with regard to the Annual Report and the preparation of an Oversight Report. The Municipal Public Accounts Committee was established for ensuring that the executive implements programmes and plans in consistent with policy, legislation and the dictates of the Constitution. The annual report is a key instrument of transparent governance and accountability.

It is a post-financial year document which provides an overview of the process of financial and non-financial performance in respect of the previous financial year, in this instance 2023/2024 financial year. The adoption of an Annual Report and oversight report is a legislated requirement in terms of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA).

Section 129 of the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) requires the Council to consider the annual reports of its municipality and of any municipal entity to adopt an "oversight report" containing the Council's comments on each annual report. The Oversight Report is the final major step in the annual reporting process of the municipality.

The oversight report must include a statement whether the Council:

- Has approved the annual report, with or without reservations;
- Has rejected the annual report; or
- Has referred the annual report back for revision of those components that can be revised.



2. PURPOSE OF THE REPORT

To submit the Oversight Report on the Annual Report for the 2023/2024 financial year in terms of Section 129 of the MFMA. To recommend to Council the consideration of the 2023/2024 Annual Report and to adopt an oversight report containing Council's comments on the Annual Report in terms of Section 129(1) of the Local Government: Municipal Finance Management Act, 2003 (Act no.56 of 2003).

3. BACKGROUND

The 2023/2024 Annual Report was tabled in Council by the Executive Mayor on the 30 January 2025. According to Section 129 of the MFMA, Council has to consider the Annual Report of the Municipality, its entity and by no later than two months from the date on which the annual report was tabled, adopt an oversight report containing the Council's comments on the report. Council has then referred the Annual Report to the Municipal Public Accounts Committee (MPAC) for consideration and probing (**CR/162/01/25**). The MPAC is expected to probe the Annual Report and compile an Oversight Report on the Annual Report on behalf of Council. The Oversight report is the final step in the Annual reporting process.

4. LEGAL FRAMEWORK

4.1. Preparation and adoption of annual reports.

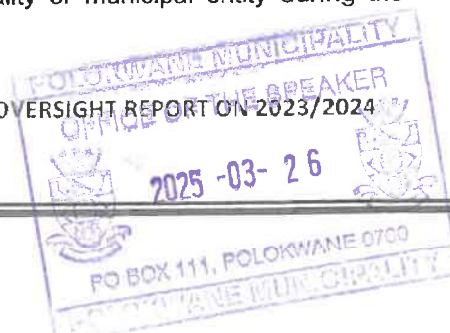
Section 121 (1) of the MFMA requires that every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129 of the MFMA.

- Tabling of this report to Council confirms the compliance of the municipality with sec 121 (1) of the MFMA, the annual report was dealt with within nine months after the end of the financial year.

4.2. The purpose of an annual report

Sec 121 (2) Municipal Finance Management Act, Act 56 of 2003 indicates the purpose of the Annual Report as: —

- 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.

4.3. Tabling of the Annual Report

Section 127 of the MFMA says 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.

- The Municipality complied with Sec 127 of the MFMA, the Executive Mayor tabled the annual report of the municipality and its entity Polokwane Housing Association (PHA) within seven months after the end of the financial year (30 January 2025).

4.4. Submission of the Annual Report

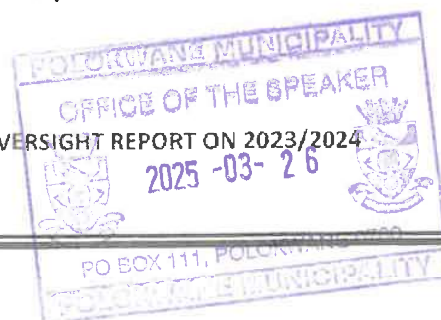
Section 127 (5) (b) of the MFMA requires the Accounting Officer to submit annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

- The municipality complied with Sec 127 (5)(b) of the MFMA, the annual report was submitted to office of the Auditor-General, Provincial treasury and Provincial department (CoGHSTA) responsible for local government in the province.

4.5. Oversight reports on annual reports

The oversight report is compiled in terms of Section 129 (1) of the Municipal Finance Management Act, No. 56 of 2003 which reads as follows: " The council of a municipality must consider the annual report of the municipality and of any municipality 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) Has rejected the annual report
- (c) Has referred the annual report back for revision of those components that can be revised".



5. ANNUAL REPORT CONSULTATION PROCESS

5.1 Section 127 (2) of the MFMA says "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 2023/2024 Annual Report was tabled in Council of 30 January 2025 with all the required attachments including the annual performance report, consolidated audited financials, audit reports of the municipality and its entity PHA. **Annexure B**

5.2 Section 127 (5) (a) (i) of the MFMA requires the Accounting Officer to make the annual report public.

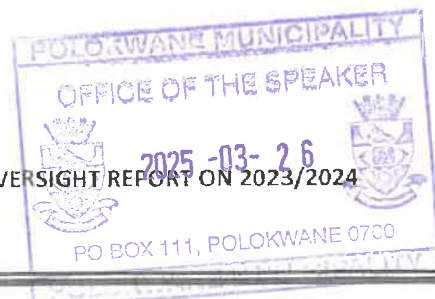
- The 2023/2024 Annual Report was made public on the Municipal Website, Municipal clusters, municipal libraries and Municipal Facebook page within five (days) and within seven (7) days in the local newspapers after it was approved by Council on 30 January 2024. **Annexure C**

5.3 Section 127 (5) (a) (ii) of the MFMA requires the Accounting Officer to invite the local community to submit representations in connections with the annual report.

- A notice was published to invite members of the community and other stakeholders to submit written comments/inputs into the Annual Report. In addition, the 2023/2024 Annual Report was also made available at all Municipal Libraries, All Cluster Offices, Municipal Website and Municipal Facebook page. **Annexure C.**
- The municipality (MPAC) did not receive any comments from the members of the public and relevant stakeholders Within the 21 days of opening for comments from members of the public.

5.4 Section 127 (5) (b) of the MFMA requires the Accounting Officer to submit annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

- Copies of the 2023/2024 Annual Report were submitted in terms of Section 127(5) (b) to the following stakeholders, Provincial Treasury, National Treasury, Provincial COGHSTA and Auditor General. **Annexure D.**



5.5 The Municipal Public Accounts Committee held a meeting to adopt the Action Plan for probing the 2023/2024 annual report. **Annexure E.**

- Meetings were held as per adopted action plan and other meetings were also convened due to volume of documents to be considered.

5.6 The committee conducted a project site inspection / visits on the 11 March 2025, 12 March 2025 and 13 March 2025. The projects visited are Construction of Outfall Sewer Pipeline and Bridge for the New Polokwane Wastewater Treatment Works-Contract 1A, Construction of New Softball Stadium in Polokwane, Construction of Signalised Intersection at Nelson Mandela Drive, Bookelo Street and Ditlou Crossing, Oliphantspoort RWS Phase 2, New Pietersburg 11 KV Switching Station and Paving of Internal Street from Hostel to Oliver Tambo Road in Seshego Zone 6.

5.7 MPAC Public Participation

MPAC held a public Participation meeting on the 25th February 2025, in terms of Section 21 (a) of the Municipal Systems Act No. 32 of 2000.

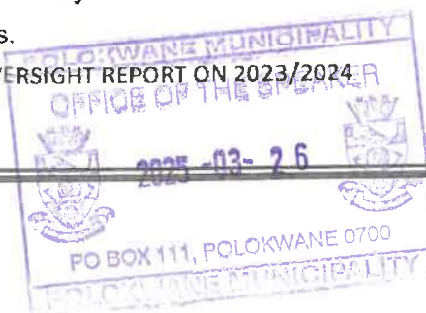
- Members of the Public and municipal stakeholders were invited in terms of Section 21 (a) of the Municipal Systems Act No. 32 of 2000, the Acting Executive Mayor for the session Cllr Tshepo Nkwe presented the annual report and members of the public posed questions to the Acting Executive Mayor to respond.
- The committee further distributed the summary of the 2023/2024 Annual report to all municipal clusters, published a notice in local newspaper, municipal Facebook page and municipal website. **Annexure F.**

5.8 MPAC held a public hearing on the 07th March 2025 at the New Council Chamber. The Executive Mayor with Members of the Mayoral Committee supported by Management led by the Municipal Manager was responding to clarity seeking questions posed by MPAC members. Members of the public, media and stakeholders were invited to the hearing in terms of Section 20, Chapter 4 of the Local Government: Municipal Systems Act. 32 of 2000 and Section 130 of the Municipal Finance Management Act, No. 56 of 2003. **Annexure G**



6. MPAC Findings

- 6.1. The annual report of the municipality was prepared in all material aspects in terms of Circular 63, nonetheless, the areas of concern were addressed through the annual report checklist wherein management has responded.
- 6.2. The Municipality did not perform well in terms of service delivery, projects which were planned to be completed in 2023/2024 financial year were not completed within the planned timeframe as per SDBIP targets (recurring).
- 6.3. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of the code of conduct for staff members issued in terms of the Municipal Systems Act 32 of 2000 (recurring).
- 6.4. Material financial loss amounting to R16 680 257 for payment of buses not received, which resulted in non-compliance with section 116 2(a) of the MFMA.
- 6.5. Material misstatement on development priority: basic service delivery within the annual performance report were not corrected by submission of evidence to the Auditor General.
- 6.6. Municipal projects not completed within the approved timeframe as outlined in the SLA's, due to poor performing contractors and consultants.
- 6.7. The committee has perceived that the Annual financial statement (AFS) for Polokwane Municipality were not prepared in all material aspects, however, after consultation with the AG they were corrected.
- 6.8. Polokwane Wastewater treatment works situated in Ladana was assessed as critical because of ineffective wastewater treatment, line transfers and effluent quality disposal standards and inadequate human resources.
- 6.9. The Annual Financial Statements (AFS) for Polokwane Housing Association (PHA) were not submitted to the Auditor General for auditing within two months after the end of the financial year, as required by section 126(2)(b) of the MFMA.
- 6.10. Annual report of the Entity (PHA) was not properly reviewed, errors were identified during probing.
- 6.11. Polokwane Housing Association (PHA) regressed from unqualified to qualified opinion due to insufficient evidence to support receivables from exchange transactions submitted to the Auditor General.
- 6.12. R5 479 782 was impaired as a result of the entity's inability to recover the debts as disclosed in note 17 of the annual financial statements.



- 6.13. Polokwane Housing Association (PHA) does not have proper records management, which lead to non-submission of archives to the Auditor General.
- 6.14. The following findings from the Annual Performance Report were deliberated during Public Hearing and the Executive Mayor committed that the findings will be addressed through management:
- Poor performing contractors which led to late completion of projects.
 - Consultants delays in submission of technical reports and designs.

7. Conclusion

The findings raised by the committee were acknowledged to be relevant and the Executive Mayor committed to address them with Management, it is of interest of the MPAC committee that management must address all the findings to ensure that they don't occur in future. The committee appreciates the audit opinion of the municipality, however, dissatisfied by the entity's (PHA) regression from unqualified to qualified opinion, nonetheless, the entity should improve its system and address the areas of qualification in order to advance to a Clean Audit.

8. MPAC Recommendations to Council

That MPAC, having fully considered the 2023/24 Annual Report of Polokwane Municipality and its Entity Polokwane Housing Association (PHA), recommends that Council adopts the 2023/24 Oversight Report.

1. That the 2023/2024 annual report be approved without reservations.
2. That the 2023/2024 Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
3. That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.
4. That written notices be given to poor performing contractors and service providers as stated within the Annual Performance report, to enable the municipality to reject their Bids for future projects as per Section 38 1 (d) (ii) of the Municipal Supply Chain Management Regulations of 2005.
5. That the municipality and its entity should prior the adoption and publication of the final report (26 March 2025), correct all errors identified within the annual report as detailed within the checklist.
6. That Polokwane housing Association establish an electronic record management system, which will assist during audit period by 30 June 2025.



7. That consequence management be instigated against persons in service of the municipality whose close family members had a business interest in contracts awarded by the municipality, nonetheless, failed to disclose such interest as at 30 June 2025.
8. That management generate a work plan to expedite the delayed Softball stadium construction, preventing potential wasteful and irregular spending by 30 April 2025.



Cllr: MS Phoshoko
MPAC Chairperson

20/03/2025
Date

