

OVERSIGHT REPORT FOR 2022/2023 ANNUAL REPORT OF THABO MOFUTSANYANA DISTRICT MUNICIPALITY.

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ANNUAL REPORT

FOREWORD BY THE CHAIRPERSON

To the community of Thabo Mofutsanyana district municipality, it gives me great pleasure to present the Oversight Report of the Municipal Public Accounts Committee (MPAC) on the 2022/2023 Annual Report.

The Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) assigns specific oversight responsibilities to Council in the annual reporting process and the preparation of the Oversight Report. Given the processes required by Council to effectively undertake its oversight role, the establishment of the MPAC of Council provides the appropriate mechanism through which Council fulfils its oversight responsibilities.

The MPAC considered and evaluated the 2022/2023 Annual Report, and monitored that all submissions and calls for comments were undertaken as per Section 127(5), Section 130 and Section 132 of the MFMA. The Oversight Report was prepared taking into consideration the views and inputs of, inter alia the public, representatives of the Auditor-General, organs of state, the Audit Committee and Councillors.

The public and local communities were given reasonable means, time and assistance to participate and submit representations on the 2022/2023 Annual Report. The Annual Report was made available through a variety of methods. The Annual Report could be downloaded from the Thabo Mofutsanyana district municipality's website and hardcopies could be obtained from the main municipal building, public libraries and municipal area offices.

Thabo Mofutsanyana district municipality's financial performance and position remained stable, mainly due to the proactive responses by leadership to drive financially sustainable decisions, while balancing the needs of the communities and businesses in the TM area. The policy choices of today strive to build a greener, more inclusive and more resilient tomorrow. There is an opportunity to chart a path that empowers everyone to face the future with confidence.

The MPAC commends the Municipality for maintaining the propitious audit outcome for the 2022/2023 financial year: unqualified with material findings. The attainment of an unqualified audit opinion is not necessarily in line with the Thabo Mofutsanyana district municipality's ultimate goal aiming to achieve clean administration that is characterised by good governance, financial compliance and internal controls.

The MPAC encourages the timely implementation of the matters raised in the Annual Report and the Oversight Report. The MPAC further encourages continuous improvement of internal controls and will continue to monitor the implementation of the recommendations by the internal auditors, the external auditors and the Audit Committee.

On behalf of the MPAC, I would also like to thank the administration for their support during the Oversight process. A word of thanks must be given to the Office of the Auditor-General and the Audit Committee for their input in the 2022/2023 Annual Report and oversight process.

Finally, I would like to commend my fellow MPAC members for their hard work and commitment.



COUNCILLOR S Chabeli

CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

**OVERSIGHT REPORT OF THE
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE
ANNUAL REPORT OF THABO MOFUTSANYANA DISTRICT MUNICIPALITY
(2022/2023)**

1. OBJECTIVE OF THE OVERSIGHT REPORT

- 1.1. The Municipal Public Accounts Committee (MPAC) considered and consulted on the 2022/2023 Annual Report, and prepared the Oversight Report on the 2022/2023 Annual Report, for Council to adopt.
- 1.2. Having considered all representations, feedback, queries and comments submitted from various stakeholders, MPAC concluded on whether the information contained in the 2022/2023 Annual Report was a fair and reasonable record of the performance of the Thabo Mofutsanyana district municipality, and properly accounted for the actions of the Thabo Mofutsanyana district municipality during the 2022/2023 financial year reported upon.
- 1.3. These conclusions support MPAC's recommendations to Council when adopting the Oversight Report with reservations on the 2022/2023 Annual Report, in line with Section 129 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA).

2. MANDATE OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

- 2.1. Council is vested with the responsibility to oversee the performance of the municipality, as required by the Constitution, the MFMA and Municipal Systems Act 32 of 2000 (MSA), which includes oversight over the process of considering annual reports.
- 2.2. In its first meeting of the fifth council, the Council of Thabo Mofutsanyana district municipality resolved to establish a MPAC in terms of Section 79 of the Local Government: Municipal Structures Act 117 of 1998, as amended. MPAC serves as an Oversight Committee to exercise oversight over the executive obligations of Council. One of the functions of the MPAC is to consider and evaluate the content of the Annual Report and to make recommendations to Council when adopting an Oversight Report on the Annual Report.
- 2.3. The Thabo Mofutsanyana district municipality has a well-functioning Audit Committee and Internal Audit Function. The establishment of the MPAC is a further link in the accountability process by ensuring objective political oversight in addition to other

governance structures, such as Portfolio Committees, the Mayoral Committee and Council.

3. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEMBERSHIP

The membership of MPAC is as follows:

MEMBERSHIP	
Cllr S Chabeli	MPAC <i>Chairperson</i>
Cllr B Campbell-Cloete	MPAC Member
Cllr M Bohlale	MPAC Member
Cllr T Motaung	MPAC Member
Cllr M Lebesa	MPAC Member
Cllr D Hlabathe	MPAC Member
Cllr L Mokoakoe	MPAC Member

4. LEGISLATION

4.1. In terms of Section 127(2) of MFMA

“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...”

4.2. In terms of Section 129(1) and (2) of the MFMA

(1) “The council of a 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 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) The accounting officer must—

(a) attend council and council committee meetings where the annual report is discussed, for the purpose of responding to questions concerning the report...”

5. OVERSIGHT PROCESS OVER THE 2022/2023 ANNUAL REPORT

5.1. The MPAC performed its oversight activities in line with its Terms of Reference, its delegations, leading practices, relevant legislation, and National Treasury circulars and guidelines.

5.2. The Annual Financial Statements and draft Annual Report for the year ended 30 June 2023

were submitted to the Auditor-General by 31 August 2023, complying fully with Section 126(1)(a) of the MFMA.

- 5.3. After the finalisation of the Auditor-General's Audit Report on 30th November 2023, the draft Annual Report was tabled to Council on 31 January 2024, in terms of Section 127(2) of the MFMA. Council resolved that the 2022/2023 Annual Report should be referred to the MPAC for the preparation and submission of the Oversight Report.
- 5.4. On 9th of February 2024, the public was informed by way of advertisement in the Guard newspaper, Municipality's website, and on the different municipal notice boards of the following:
 - 5.4.1. Notice of the Council Meeting that was held on 31 January 2024 at which the Annual Report was tabled.
 - 5.4.2. The meeting dates of the MPAC.
 - 5.4.3. Invitation to the public to submit written comments on the Annual Report to the Office of the Municipal Manager.
- 5.5. The Annual Report was made public, pursuant to Section 127(5) of the MFMA and Section 21A of the MSA, immediately after the Annual Report was tabled at Council. From 9th of February 2024, copies of the 2022/2023 Annual Report were available on the Thabo Mofutsanyana district municipality's website, and physical copies were available at local municipal buildings including the Main Municipal Building.
- 5.6. The 2022/2023 Annual Report was submitted to the Auditor-General, Provincial Treasury and the Provincial Department of Local Government on 1 February 2024.
- 5.7. In line with Section 127(5) of the MFMA and Section 21A of the MSA, the local communities were invited to submit written comments or representations in connection with the 2022/2023 Annual Report. The public and local communities were afforded reasonable time, from 9th February 2024 to 29th February 2024, to participate in the oversight activities and submit their comments or representations on the 2022/2023 Annual Report.
- 5.8. In addition to the above invitation to the public and local communities, the Ward Councillors and MPAC members were invited to submit written comments in connection with the 2022/2023 Annual Report before 29th February 2024 so that the Directorates could prepare responses in preparation for the Special MPAC Meeting which was held on 19 March 2024.
- 5.9. The MPAC considered and evaluated the 2022/2023 Annual Report through various engagements:
 - 5.9.1. On 14 February 2024 a Special MPAC Meeting was held, during which the oversight process was discussed. The MPAC members were requested to submit written comments before 29th February 2024 in preparation for the Special MPAC meetings taking place on 19 March 2024.
 - 5.9.2. On 14 February 2024 and 21 February 2024, 19 March 2024, Special MPAC Meetings were held during which the 2022/2023 Annual Report was deliberated upon. These meetings were attended by the members of MPAC including the Municipal Manager and Directors.

5.9.4. The Special MPAC meetings were chaired by Councillor S. Chabeli on 14 February 2024, 21 February 2024 and 19 March 2024 and all meetings were quorate.

6. COMMENTS ON THE 2022/2023 ANNUAL REPORT FROM THE MPAC, WARD COUNCILLORS AND PUBLIC

6.1. The MPAC and Ward Councillors were requested to submit written comments before 29th February 2024. The Directorates provided written responses to these comments and these were tabled at the Special MPAC Meeting held on 19 March 2024.

6.2. Unfortunately, no comments received from the public before 29 February 2024 which would be addressed when finalising the Annual Report.

7. COMMENTS FROM PROVINCIAL TREASURY

7.1. Provincial Treasury made its comments on the tabled 2022/2023 Annual Report and concluded that the Thabo Mofutsanyana district municipality is compliant with the legislative requirements as per MFMA Section 75,121 and 127.

8. SUMMARY OF COMMENTS, RECOMMENDATIONS AND CONCLUSIONS ON THE ANNUAL REPORT 2022/2023

- 8.1. Municipality's annual planning, budgeting and reporting processes, Management fell short on preparation of regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. This resulted in material misstatements that could have been prevented being identified and subsequently corrected in the financial statements submitted for audit. Material findings which could not be corrected were also identified in the annual performance report.
- 8.2. The financial statements remain stagnant as compared to the prior year unqualified opinion and there was also a slight regression on the compliance theme under the utilisation of conditional grants assets management strategic planning and performance management and procurement and contract management.
- 8.3. The municipality received conditional grants totalling R18 229 000 to fund its programmes and projects in the current year and was compliant with the Division of Revenue Act as the use of the Financial Management grant, Expanded Public Works Programme Integrated grant, Rural Road Assets Management System grant & Energy Efficiency and Demand side Management grant.
- 8.4. Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. Similarly, there are still some

significant internal control deficiencies which had adverse impact on the procurement and contract management processes.

- 8.5. The major infrastructural assignment was a huge success as 100% Development of Rural Road Asset Management System which strives to evaluate the extend & conditions of the road network (RRAMS System Implementation) 100% Retrofitting of high mast & street lights with LED tubes on the 30th June 2023
- 8.6. The Municipality received an unqualified audit opinion with findings in 2022/2023 and Maintained its unqualified in 2022/2023.
- 8.7. The Municipality is commended for the excellent financial reporting and governance.
- 8.8. The MPAC considered the compliance of relevant legislative requirements over the major activities relating to the annual reporting process relevant to the financial year ended 30 June 2023. All instances reported in the financial year ended 30 June 2022 (previous year) were investigated and resolved, with the exception of one instance that MPAC was investigating further. It is however worrying that management does not adequately address the root cause of findings identified, as similar findings are raised on an annual basis and written off by council. and concluded that it did not identify any instances of non-compliance.
- 8.9. The Annual Report complies with the requirements of the MFMA and National Treasury's guidelines for annual reports. It is further noted that the required information in terms of the MFMA is included.
More specifically, the 2022/2023 Annual Report **contains** *inter alia*:
 - 8.9.1. The annual financial statements.
 - 8.9.2. Auditor-General's Audit Report.
 - 8.9.3. The Annual Performance Report of the Municipality.
 - 8.9.4. Recommendations from the Provincial Treasury.
 - 8.9.5. Recommendations of the Audit Committee and the Audit Committee's Annual Report.
- 8.10. The 2022/2023 Annual Report tabled at the Special Council Meeting on 31 January 2024 **was updated in accordance with the comments received from the various role-players during the oversight process.**
- 8.11. After evaluating the content of the Annual Report and taking into consideration all representations received from various stakeholders, comments and deliberations at the MPAC meetings, the Audit Committee's Report included in the Annual Report, and comments from the Auditor-General and Provincial Treasury, it is recommended that the 2022/2023 Annual Report be adopted with reservations.

9. RECOMMENDATIONS TO COUNCIL

The MPAC resolves to recommend to Council at the Ordinary Council Meeting of 27 March 2023:

The Municipal Public Accounts Committee having fully considered the Thabo Mofutsanyana district municipality 's 2022/2023 Annual Report, recommends that:

- (a) The Oversight Report on the 2022/2023 Annual Report **BE ADOPTED**; with reservations due to the following;
 - The Audit Action Plan, which constitution a significant part of Annual Report, is not practical and lacks the ambition to address the root causes and clear remedial actions, and cannot continue unabated.
 - The Performance management Systems of the municipality does not adhere to SMART principle and appropriate assessments were not performed.
 - There is no evidence of the recordings of council meetings which limits access to council resolution when verifying and validating information.
- (b) The 2022/2023 Annual Report **BE APPROVED** with reservations;
- (c) The Public Notice **BE ADVERTISED** in the local media within seven days in accordance with Section 129(3) of the Local Government: Municipal Finance Management Act, No.56 of 2003 providing notice that the 2022/2023 Annual Report and the Oversight Report on the 2022/2023 Annual Report have been made public;
- (d) The 2022/2023 Annual Report and the Oversight Report on the 2022/2023 Annual Report **BE SUBMITTED** to the National Treasury, the Free State Department of Local Government, the Free State Provincial Treasury, the Auditor-General and the Provincial Legislature within ten days in accordance with Section 132(2) of the Local Government: Municipal Finance Management Act, No. 56 of 2003.