!Kheis
Munisipaliteit
Municipality

FINAL OVERSIGHT REPORT ON ANNUAL REPORT

2023/ 2024

FINANCIAL YEAR

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INTRODUCTION: OVERSIGHT REPORT ON ANNUAL REPORT: 2023/2024 FINANCIAL YEAR

The Municipality Public Accounts Committee (MPAC) has scrutinized the 2020/21 Annual Report and has drafted this Oversight Report in compliance with Section 129 of Local Government Finance Management Act 2003 (Act N0. 56 of 2003) hereafter indicated as MFMA). The Oversight Report contains comments on the 2023/2024 Annual report (per section) as required Section 129 of the MFMA.

PURPOSE OF THE REPORT:

To consider the Municipality's Annual Report for the 2023/2024 financial year and to adopt an Oversight Report containing comments on the Annual Report in terms of section 129 (1) of the MFMA.

BACKGROUND

MFMA Circular 32 recommends the establishment of an oversight committee for the detailed review and analysis of the annual report after its tabling to Council, receiving and reviewing representations made by the public and inputs from Councilor's and then drafting an oversight report to be considered by full Council.

A. Legal Requirements

1. Section 121 (1) (2) AND (3) OF THE MFMA DETERMINES AS FOLLOWS:

121 (1) Every Municipality must for each financial year prepare an Annual Report. The Council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129.

2. The purpose of the annual report is:-

(a) To provide a record of the activities of the municipality during the financial year to which the report relates:
(b) To provide a report on performance against the budget of the municipality for the financial year, and
(c) To promote accountability to the local community for the decisions made throughout the year by the municipality.

3. The annual report of a municipality must include:_

(a) The annual financial statements of the municipality, and in addition, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
(b) The Auditor-General audit report in terms of section 126(3) on those financial statements;
(c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
(d) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, Act 32 of 2000;
(e) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;

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(f) An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;
(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
(h) Any explanations that may be necessary to clarify issues in connection with the financial statements;
(i) Any information as determined by the municipality;
(j) Any recommendation as determined by the municipality; and
(k) Any other information as may be prescribed.

2. In terms of section 127(5) of the MFMA, the Accounting Officer must immediately after the Annual Report is tabled, make public the annual report, invite the local Community to submit representations in connection with the annual report and submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

3. According to section129(1) of the MFMA, the council must consider the Annual Report 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 annual report which must include a statement whether-

Comments and findings

Below is our assessment of the implementation of drivers of internal control based on significant deficiencies identified during our audit of the financial statements, the [annual performance report/ insert name of performance report] and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.
The internal controls were assessed as follows:

☺	The required preventative or detective controls were in place.
😐	Progress was made on implementing preventative or detective controls, but improvement is still required, or actions taken were not or have not been sustainable.
☹	Internal controls were not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.

We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the municipality's system of internal control. These material misstatements also constitute non-compliance with section 122 of the Municipal Finance Management Act (MFMA). 6

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The misstatements that were not corrected form the basis for the disclaimer of opinion on the financial statements.

Material Misstatements		
Audit Findings	**Number of Findings**	**Occurred in prior year**
Statement of Financial Position		
Other receivables from non-exchange transactions	3	Yes
VAT receivable	1	Yes
Statutory receivables	1	Yes
Trade and other receivables from exchange transactions	3	Yes
Cash and cash and cash equivalents	4	Yes
Property, plant and Equipment	9	Yes
Employee benefit obligation	1	Yes
Payables from exchange transactions	3	Yes
Provisions	1	Yes
Statement of Financial Performance		
Revenue from exchange transactions	7	Yes
Revenue from non-exchange transactions	2	Yes
Employee related cost	1	Yes
Debt impairment	1	Yes
Depreciation and amortization	5	Yes
General expenses	5	Yes
Statement of Cash Flow (consequential misstatements)		
Disclosure of cash flow	3	Yes
Disclosures		
Irregular expenditure	8	Yes
Unauthorized expenditure	1	Yes
Fruitless and wasteful expenditure	4	Yes
Financial Instruments	2	Yes
Commitments	1	Yes
Contingent liabilities	4	Yes
Contingent liabilities	1	Yes
Cash flow statement		Yes
Comparison of budget vs actual amounts	1	Yes
Other MFMA disclosures	1	Yes
Distribution losses	1	Yes
Prior period error note	4	Yes
Segmental Information	3	Yes
Going concern	1	Yes

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Continuum - Plotting criteria

Plotting result per area	Financial management	Service delivery	Compliance	Ethics, fraud and responsiveness
DOING GOOD	Good financial health Correlation between achievement of targets and use of budget	All key performance targets achieved Good performance is evident from reliable publicly available information CSOs and community not raising significant concerns on performance	No findings on non-compliance with legislation	Strong institutionalised ethical culture Controls to prevent fraud and corruption No findings on consequence management
DOING MORE THAN THE BASICS	No/ trivial budget overspending Budget and grants spend in accordance with purpose No/ trivial fruitless and wasteful expenditure	Performance plan includes indicators and targets that measure performance of key mandated functions and aligns with public expectations Achieved 80% of key performance targets	No/ trivial irregular expenditure No active non-compliance MIs	No fraud indicators or fraud allegations No ongoing investigations by public bodies No active MIs - fraud/ theft/ breaches of fiduciary duty UIFW incidents cleared within reasonable time 80% previous year audit recommendations implemented
DOING THE BASICS	Unqualified audit opinion Going concern with no material uncertainties on ability to continue as going concern	Reported indicators and targets consistent with annual or revised performance plan Planned indicators and targets passed usefulness criteria Key standardised indicators included in performance plan Reported achievement and variance explanations is reliable	No material non-compliance with legislation	No material non-compliance findings on consequence management ~~Agreed recommendations of previous year to shift culture implemented within reasonable period~~
NOT DOING THE BASICS	Material misstatements in submitted AFS Late submission of AFS	Repeat material misstatements in submitted APR Late submission of APR Material non-compliance - strategic and performance management	Non-material limitations in auditing procurement and contract management	Repeat procurement non-compliance findings on conflicts of interests (employees and/or public office bearers) MI in recommendation phase MI recently referred to a public body for investigation Material non-compliance findings - unauthorised expenditure investigation and/ or dealing with irregular and fruitless and wasteful expenditure
DOING HARM	AFS not submitted or submitted more than 2 months late **Disclaimer/ adverse opinion** Active MI - substantial harm to public sector institution due to financial management	APR not prepared/ submitted more than two months late Disclaimer/ adverse opinion/ pervasive material findings Active MI - substantial harm to public sector institution due to performance management Active MI - substantial harm to general public	Material limitation in auditing procurement and contract management	MI in remedial action/ CoD phase Material non-compliance findings - irregular and fruitless and wasteful expenditure investigation

CSOs – Civil Society Organisations UIFW – unauthorised, irregular and fruitless and wasteful expenditure
MI – material irregularity APR – Annual performance report CoD – Certificate of debt

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PATI - plotting areas and what is used for assessment

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Culture	Financial management	Service delivery	Compliance	Ethics, fraud and responsiveness
Transparency and accountability	Financial statements: • Timeous submission • Quality submission • Audit opinion	Performance report: • Timeous submission • Quality submission • Opinion/ conclusion/ material findings • Completeness of indicators	Availability of records and information for audit of compliance	Compliance: • Dealing with UIFW • Conflict of interest • Consequence management Clearing of UIFW incidents
Institutional integrity	MI - Substantial harm to public sector institution due to financial management practices	Compliance – strategic planning and performance management MI - substantial harm to public sector institution due to performance management practices	Compliance with legislation on specific themes e.g. management of: • Procurement and contracts • Expenditure, revenue, assets and liabilities • Grants and transfers • Annual reporting processes Irregular expenditure	Fraud indicators or allegations Investigations by public bodies Preventative controls and ethical culture Implementation of audit recommendations MIs - recommendations, remedial action, referrals, CoD process
Performance	Financial performance: • Going concern • Good financial ratios • Fruitless and wasteful expenditure • Budget and grant management (unauthorised/ irregular expenditure)	Performance/ service delivery: • Achievement of targets • Reliable publicly available info on delivery • CSOs and community feedback MI - Substantial harm to general public	MI - Non-compliance causing material financial loss or misuse of material public resource	MI - Suspected fraud, theft or breaches of fiduciary duty causing material financial loss or misuse of material public resource

CSOs – Civil Society Organisations UIFW – unauthorised, irregular as well as fruitless and wasteful expenditure MI – material irregularity CoD – certificate of debt

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5. Recommendations

That Council having fully considered the 2023/24 Annual report of the municipality and represents thereon:

- That the Oversight Report as compiled by Municipal Public Accounts Committee on the 2023/24 Annual Report be adopted in compliance with section 129(1) of Local Government: Municipal Finance Management Act, 2003(Act. No. 56 of 2003).
- That the 2023/24 Annual Report be approved without reservations in terms of Section 129(1)(a) of the Local Government Management Act, 2003(Act. No 56 of 2003).
- That the recommendations of the Municipality Public Accounts Committee as contained in the Oversight Report are accepted as resolutions and that the Municipal Manager must ensure the implementation thereof.
- That the Oversight Report be made available to the public within seven days of the date of this resolution in compliance with Section 129(3) of the Local Government Municipal Financial Management Act.
- That the following schedule for the submission of the Annual Report for 2023/24 financial year be approved.

Conclusion

Council is vested with the responsibility to oversee the performance of the municipality as required by the legislature. The Speaker is vested with the power and responsibility to oversee both the Council and administration. The Oversight responsibility of Council is particularly important for the process of considering in-year and annual reports.

Signature: ----------

SPEAKER OF !KHEIS MUNICIPALITY

Date: 14. July 2025

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