OVERSIGHT REPORT ON THE 2023-24 ANNUAL REPORT

NON – DELEGATED
FOR APPROVAL
OUT OF COMMITTEE

ITEM NO. OMM02
OFFICE OF THE MUNICIPAL MANAGER
AUTHOR: MS T MHLAKAZA
MANAGER STRATEGIC PLANNING
FILE NO. 3/10/2/1
MPAC 20/03/2025
Council 28/03/2025

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1. PURPOSE

To present to the Municipal Public Accounts the Oversight Report on the 2023/2024 Annual Report for Consideration and Approval.

2. ANNEXURE

None

3. LEGAL AND STATUTORY REQUIREMENTS

- Local Government Municipal Systems Act No 32 of 2000.
- Local Government Municipal Finance Management Act No 56 of 2003.

4. BACKGROUND AND REASONING

- The oversight report is developed in line with Section 129 of the Local Government Municipal Finance Management Act No 56 of 2003, which states that, *"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 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 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.

It is against this background that the below Oversight report on the Annual Report is presented to the Municipal Public Accounts Committee for consideration and noting.

UMUZIWABANTU MUNICIPALITY'S OVERSIGHT REPORT ON THE 2020/21 ANNUAL REPORT.

5. PURPOSE OF THE OVERSIGHT REPORT

- The oversight report is based on the 2023/2024 Annual report tabled to Council on the 29th of January 2025.

- The oversight report is developed in line with Section 129 of the Local Government Municipal Finance Management Act No 56 of 2003, which states that "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 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 has:

  (a) 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.

6. ANNUAL REPORT

- In compliance with the legislative requirements set out in the Local Government Municipal Systems Act No 32 of 2000, section 46(1) which states that a municipality **MUST** prepare for each financial year.

(a) A performance report reflecting:
  (i) The performance of the municipalities and any service provider during that financial year.
  (ii) The development and service delivery priorities and the performance targets set by the municipality for the following financial year and
  (iii) Measures taken that were or are taken to improve performance.

(b) The financial statements for the financial year prepared in accordance with the standards of generally recognised accounting practices referred to in section 89 of the public finance management act, 1999

(c) An audit report on the financial statements in terms of other applicable legislation.

- The Municipal finance management act No.56 of 2003 section 127(2) states that the mayor of a municipality must, within seven months after the end of a financial year table in council the annual report of the municipality and of any entity under the municipality's sole or shared control.
- The annual report was tabled by his worship the Mayor, Cllr LS Zungu at the Council meeting held on the 29th of January 2025.
- The Annual report was therefore approved by council.
- The Annual report was then publicised and made available for public comments and representations.

7. THE OVERSIGHT REPORT

- The oversight report forms part of the considerations and consultations with the public, the Auditor General, Audit Committee, National and Provincial treasury.

- in terms of the public consultation, an advertisement was published to invite, receive, and consider written representations on the annual report to Ms Thandeka Mhlakaza or alternatively to tmhlakaza@umuziwabantu.gov.za

- Minutes of the statutory Council meeting in which the annual report was tabled for discussion are attached as annexure "B" of this report.

8. GENERAL COMMENTS ON THE 2020/21 ANNUAL REPORT

- **PUBLIC REPRESENTATIONS**

The public was invited to make comments or submit written representations on the annual report from the 4th of February to the 5th of March 2025. However, no public representations were brought forward.

- **AUDIT COMMITTEE**

Audit committee report has been received following presentation to Council on the 29th of January 2025. Comments on the first draft annual report were received in an audit committee meeting prior to submission to the Auditor General. Minutes of the Audit committee meeting are available on request. The comments were as follows:

- Fast track the submission and inclusion of outstanding information.
- Ensure that the prior year AG engagement letter is also used as reference in the development of the annual performance report.
- Address prior year misstatements raised on strategic objectives as included in the SDBIP and IDP.
- Ensure that the Annual report in compliance with Circular 63 of the MFMA.

- **AUDITOR GENERAL SOUTH AFRICA**

8..1 ANNUAL FINANCIAL STATEMENTS

- The Auditor General's objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatements, whether du to fraud or error and to issue an auditor's report that includes an opinion.
- Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISA's will always detect a material misstatement when it exists.
- Misstatements can arise from fraud or error and are considered material if, individually or in aggregate they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.
- The Auditor general has performed its functions in terms of section 188 (b) of the Constitution of South Africa.
- Further descriptions of the responsibilities of the audit of the financial statements are included in the Auditor's report.

8..2 PERFORMANCE INFORMATION

- The AG's procedure addresses the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents.
- The AG has evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management reporting framework, as defined in the general notice for the basic service delivery and infrastructure key performance areas presented in the municipality's annual performance report for the year ended 30 June 2023.
- performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents.
- performance of further procedures to determine whether the indicators and related targets were measurable and relevant and assessed the reliability of the reported key performance areas presented in the municipality's annual performance report for the year ended 30 June 2023.
- The AG has performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning document.
- performance of further procedures to determine whether the indicators and related targets were measurable and relevant and assessed the reliability of the performance information to determine whether it was valid, accurate and complete.
- The selected material findings on the usefulness and reliability of the performance information are further illustrated the AG's report.

8..3 COMPLIANCE

- Financial Statements: The financial statements submitted for the auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.
- Expenditure Management: Reasonable steps were not taken to prevent irregular expenditure.

8..4 INTERNAL CONTROL DEFICIENCIES

- The auditor general having considered internal control relevant to the audit of the financial statements, reported performance information and compliance with applicable legislation, however, the objective was not to express any form of assurance on it.
- The matters reported are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and findings on compliance with legislation included in the report.

- **MUNICIPAL MANAGER**

- Subsequently, following the tabling of the audit report to Council, the Municipal manager has developed an AG action plan to address findings raised by the Auditor General during the audit period.
- The AG action plan has been developed to form part of the standing items in management committee and audit committee meetings as it is used as a tool to follow up on matters raised which should be corrected.

9. FINANCIAL IMPLICATIONS

The 2023/2024 Annual Report and Oversight Report will carry certain financial implications which include the following:
- The Design, Layout, printing, and publishing of the documents.
- The submissions of the documents to relevant departments and stakeholders.

10. COMMUNICATION IMPLICATIONS

The 2023/2024 Annual Report and Oversight Report will be distributed to the following institutions:

- The National and Provincial Treasury
- The Department of Cooperative Governance and Traditional Affaires
- The Auditor General of South Africa
- Provincial Legislature
- The Annual Report and Oversight report will be made available on the Umuziwabantu Municipal website, Libraries and Councillors.

11. RECOMMENDANTIONS

It is hereby recommended that the Municipal Public Account Committee having fully considered the annual report of Umuziwabantu Municipality and representations thereon.

11.1 THAT, a notice be taken regarding the oversight report on the 2023/24 annual report, be and is hereby received and noted.

11.2 THAT, the MPAC resolves to recommend to Council to approve the oversight report on the 2023/24 Annual report without reservations as per section 129 of the Municipal Finance management Act No.56 of 2003.

11.3 THAT, the MPAC resolves to recommend to Council that minutes of the Council meeting held on the 29th of January 2025 where the Annual Report was tabled

and approved be submitted to the following government institutions with the Annual report and Oversight report as an Annexure.

- The National and Provincial Treasury
- The Department of Cooperative Governance and Traditional Affaires
- The Auditor General of South Africa
- Provincial Legislature

11.4 THAT, the implementation plan to deal with the response to the Auditor-General must be submitted to the performance audit committee and monitored on an on-going basic.

RECOMMENDATIONS 11.1 – 11.4 SUPPORTED/ ~~NOT SUPPORTED~~

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SIGNATURE DATE: 20/03/2025

Mr T.P Cele
Acting Municipal Manager

RECOMMENDATIONS 11.1 – 11.4 SUPPORTED/ ~~NOT SUPPORTED~~

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SIGNATURE DATE: 20/03/2025

Ms T.P Mhlakaza
Manager Strategic Planning
