



MAKHUDUTHAMAGA
LOCAL MUNICIPALITY

OVERSIHGT REPORT ON
DRAFT ANNUAL REPORT
2022/2023 FINANCIAL YEAR

ITEM: SC/9.1/03/2024

Mmogo re šomela diphetogo!



MAKHUDUTHAMAGA

LOCAL MUNICIPALITY

Mmogo re šomela diphetogo!

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OVERSIGHT REPORT ON 2022/20223 ANNUAL REPORT

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MPAC OVERSIGHT REPORT ON 2022/2023 ANNUAL REPORT

1. PURPOSE

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 period, in this case 2022/2023. The adoption of an Annual Report is legislated requirement in terms of the Local Government: Municipal Financial Management Act 56 of 2003 (MFMA):

The purpose of this report is to present to Council for adoption of the Oversight Report on the draft Annual Report as required in terms of Section 129 of the MFMA, Act 56 of 2003. It is important to have some understanding of the accountability framework for municipalities in order to correctly comprehend the role of the Oversight Report as distinct from that of the Annual Report and any other reports required from the municipality by the Constitution, Acts, regulations or Circulars

2. BACKGROUND

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the Municipal Finance Management Act requires the council to consider the annual report of its municipality and to adopt an “Oversight Report” containing the council’s comments on the annual report.

The 2022/2023 Annual Report was tabled to the Ordinary Council on the 30th January 2024 by the Accounting Officer and the Mayor as per MFMA section 127 (2), and that is part of the process for discharging accountability by the executive and administration for their performance in achieving objectives and goals set by the municipality in the 2022/2023 financial year. The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the municipal council to the community disclosing the level of success or otherwise, obtained with meeting the priority needs and stated desires of the community as contained in the IDP.

The purpose of the report is to:

- Provide a record of the activities of the municipality.
- Provide report on performance in service delivery and against the budget.
- Provide information to support the revenue and expenditure decisions made.
- Promote accountability to local community for decision made.

Section 121(3) and (4) of the MFMA sets out the framework relating to the content of the annual report for both municipalities and entities. These include:



- The annual financial statements of the municipality and consolidated annual financial statements as submitted to the Auditor General for audit.
- The audit report of the Auditor General in terms of both sections 126(3) of the MFMA and section 45(b) of the MSA
- Municipal annual performance report as per section 46 of the MSA
- Assessment of any arrears on municipal taxes and service charges
- Assessment of municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the municipality's approved budget
- Particulars of corrective action taken or to be taken on issues raised in audit report
- Explanations to clarify issues on financial statements

3. PROCESS IN DEVELOPING OVERSIGHT REPORT

The 2022/2023 draft Annual Report in line with chapter 12 of MFMA Act no.56 of 2003 was noted by council on the 30th January 2024. Council referred the draft annual report to MPAC for consideration as per council resolution 122.

Makhuduthamaga Municipal Public Account Committee held its working session on 19th to 23th of February 2024, to consider, analyse and review the annual report in aspect.

Public hearing was conducted on the 15th March 2024, the local community and all relevant stakeholders were invited. The Municipal Public Account Committee had a pleasure of witnessing efforts being put in by the municipal officials and head of departments led by both Acting Mayor Cllr Malaka and Municipal Manager Mr Moganedi in providing service delivery and ensuring that compliance is maintained.

4. LEGISLATIVE MANDATE FOR THE OVERSIGHT REPORT

Section 129(1) of the Municipal Finance Management Act No.56 of 2003 states that council of the municipality must consider annual report of the municipality and no later than two months from the date on which the Annual Report was tabled in council, adopt an oversight report containing council's comments on the Annual Report, which must include a statement whether the council has:

- Approved the Annual Report with or without reservations.
- Rejected the annual report, or
- Referred the annual report back for revision of those components that can be solved.



5. COMMENTS ON THE ANNUAL REPORT

The requirements for the Annual report as set out in the various acts, together with an indication of the level of the compliance and performance are set out below:

5.1 MFMA

LEGISLATIVE REQUIREMENTS	LEVEL OF COMPLIANCE	COMMENTS
(a) The annual financial statements (AFS) was prepared in accordance with Generally Recognised Accounting Practise (GRAP) in terms of section 91(1) (b) of the Public Finance Management Act	Complied	The consolidated Annual financial statement of the Municipality as per section 122(a) that was submitted to the Auditor-General is inclusive in the Annual report as chapter 5.
(b) The Auditor General's report be included in the Annual Report as required by circular 63 and section 126(1) of MFMA.	Complied	The auditor's General findings and remedial actions are included in Annual Report in chapter 6
(c) Explanations to be included, that are necessary to clarify issues in connection with the financial statements as per section 125 of MFMA	Complied	The explanations which are necessary for clarifications are inclusive in the Annual Financial Statement, herein referred as "Notes" from page 33 to 80 of AFS
(d) An assessment on arrears on municipal taxes and service charges to be included as per section 121(3)(e) of MFMA	Complied	The Municipality have assessed arrears on taxes and services charges as required by Legislation. Refer to page 14 of AFS under Cash Flow Statement
e) Corrective action taken or to be taken in response to issues raised in the audit report in terms of 121 (3) (g)	Complied	The corrective action to be taken in response to issues raised by AG have been inclusive in the annual report and that is reflecting on



		page 263 item 6.2 under chapter 6 of annual report.
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5.2 DIVISION OF THE REVENUE ACT

LEGISLATIVE REQUIREMENTS	LEVEL OF COMPLIANCE	COMMENTS
a) The annual report to disclose the following: <ul style="list-style-type: none"> • Details of the conditional grants received from National and provincial spheres in terms of Division of revenue act no.9 of 2021 under chapter 2 section (5) (3) 	Complied	The grants received from other sphere of government had been disclosed in the Annual Financial Statement on page 49 (Chapter of the Annual Report)
b) The extent to which the conditions of the grants were met as per section 16 of the Division of Revenue Act	Complied	The conditional grants were utilised in accordance with applicable Framework. All conditional grants were 100% spent. Refer from page 261 chapter 6 of Annual Report
c) Information relating to the conditions of the grants were met as per section 16 of the Division of Revenue Act	Complied	The conditional grants were utilised in accordance with applicable Framework and information relating to the condition of the grants were met as per section 16 of the Division of Revenue Act.



5.3 MUNICIPAL SYSTEMS ACT

LEGISLATIVE REQUIREMENTS	PERFORMANCE	COMMENTS
a) The performance report must be inclusive in the annual report as per section 46(2) of the Municipal Systems Act no.32 of 2000	Complied	The performance report is inserted in the annual report. Refer to Chapter 3 from page 88 to 232
b) The performance target included in the annual report as per the section 44 of the Municipal Systems Act.	Complied	The performance targets are inclusive in the performance report in Chapter 3 of the annual report
c) The performance evaluation in the annual report compare actual with the planned performance in terms of section 46(b) of the Municipal Systems Act.	Complied	A comparison of the performance and targets have been highlighted in the performance report in Chapter 3
d) It must be reflected in terms of Section 41 of Municipal Systems Act, on how municipality performed on its functions or services as per the Key Performance Areas	Complied (Excellent)	The performance as per Key Performance Area is as follow: KPA 1 = 100% KPA 2 = 100% KPA 3 = 100% KPA 4 = 95% KPA 5 = 100% KPA 6 = 97%
e) The extent to which targets have been achieved	Complied (excellent)	The targets achieved is 99%
f) Actions that have been taken and planned to improve performance	Complying	The performance management system is now in place to improve the performance
g) The correlation with the targets for the municipality and the target set for the municipal manager and heads of departments	Complying	The correlation exist for municipal manager and senior management only. The head of departments are



		not directly affected because there is no mechanism to measure their performance as compared to the municipal targets.
h) The report should evaluate the efficiency of mechanisms applied to deliver the performance outcomes	Complying	The comparisons of the performance between the previous and the under review financial years determine the efficiency of mechanisms applied to deliver the performance outcomes.
i) The audit report and opinions and the views of the Audit Committee must be taken in to account as to consider the performance to be efficient and effective	Complying	The audit report and opinions and the views of the Audit Committee are taken in to consideration.

6. OTHER FINDINGS ON ANNUAL REPORT

- The Mawelase tops construction and projects will continue to accumulate the irregular expenditure until the contract lapse on the 28/10/2024.
- Municipality lacks communication resources to convey information to disabled people such as deaf, mute and blind people
- The municipality is having a challenge of skip bins to keep the villages clean. The number of skip bins is decreasing while the number of villages is increasing
- Municipality have a low revenue collection and weak economic base which negatively affect the municipal performance.
- Municipality is not adequately maintaining its facilities such as parks and recreational facilities due to lack of resources and inadequate budget.



- Municipality has the high unemployment rate.
- The stalls are not serving their purpose of revenue collection.
- The government departments do not want to pay the refuse removal services and that contribute to the municipal low revenue collection.
- The municipality didn't contact the public satisfaction survey on municipal services for the year 2022/2023.
- The external audit was not contacted on the landfill site and that is in contrary with the landfill license conditions.
- Information inserted in other appendices is not relevant for that particular appendix as required by circular 63.

7. PUBLIC CONSULTATION MEETINGS ON 2022/2023 ANNUAL REPORT

The public consultation meetings on annual report were held on from the 12th to 27th of February 2024

8. GENERAL DISCUSSION

Understandings of municipal operations and processes is continuing to improve.

9. RECOMMENDATIONS

The committee having fully considered the Annual Report of the municipality and recommends to Council to:

- Council adopt 2022/2023 Annual Report with Reservations
- Council adopts Oversight Report on 2022/2023 Annual Report

SIGNATURE:

CLLR DIKETANE SP
MPAC CHAIRPERSON

DATE: 19/03/2024