

2022/23

OVERSIGHT REPORT



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

31 January 2024

Resolution 1/2024

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1 INTRODUCTION

This document constitutes the Oversight Report on the 2022/23 Annual Report of the Cape Agulhas Municipality which is compiled in terms of Section 129 of the Local Government Municipal Finance Management Act, Act 56 of 2003 (MFMA).

The Constitution, Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) vest the Municipal Council with the responsibility to oversee the performance of the Municipality. This oversight responsibility is of particular importance during the consideration of the annual report.

There is an explicit linkage between the strategic goals, set by Council through the IDP, which are translated into the Budget, and the Service Delivery Budget Implementation Plan (SDBIP). The SDBIP enables the Municipality to give effect to its IDP and Budget, can be seen as a “contract” between the Administration, Council and Community, and forms the foundation of the Annual Report.

2 FINANCIAL GOVERNANCE FRAMEWORK APPLICABLE TO LOCAL GOVERNMENT

The MFMA brought about financial management reforms that place service delivery responsibilities on managers and makes them accountable for performance and whilst assigning responsibility to the Executive Mayor to resolve performance failures. The Council is vested with the power and responsibility to oversee both the executive and administration.

Oversight occurs at various levels in a municipality and is explained in the following table:

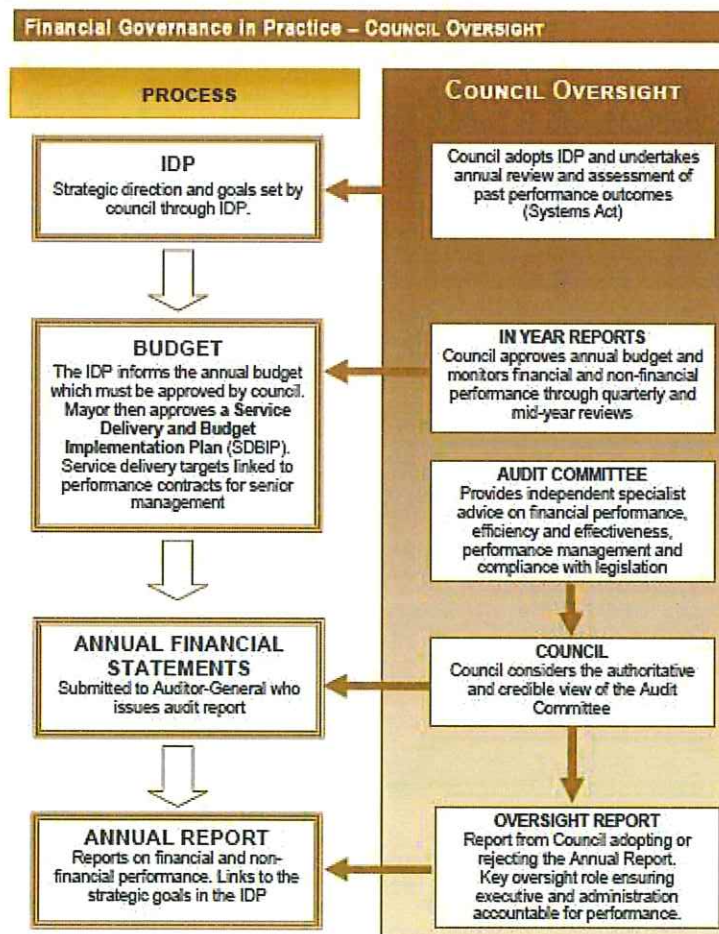
FUNCTIONARY	RESPONSIBLE FOR	OVERSIGHT OVER	ACCOUNTABLE TO
Council	Approving policy and budget	Executive Mayor or Committee	Community
Executive Mayor or Committee	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	The Administration	Executive Mayor or Committee
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

3 SEPARATION OF ROLES

The separation of roles between the council and administration is intended to strengthen the oversight function of councillors. Good governance, effective oversight and accountability is based on there being this separation of functions. It is also fundamental for the achievement of the local government Constitutional objective to promote a democratic and accountable system of local government. Council oversees the performance of the administration through council and committee meetings. The mayor provides the link between the council and administration and is responsible for regular monitoring and for tabling reports before the council. The administration is responsible for the day-to-day operations. This separation avoids conflict of interest and a “referee/player” situation arising and is similar to the role played by Parliament.

The MFMA further assumes a separation between councillors serving on the executive (i.e. mayor or executive committee) and non-executive councillors. This separation is vital to ensure council maintains oversight for the performance of specific responsibilities and delegated powers to the mayor or executive committee.

The MFMA gives council several financial management tasks to fulfil its oversight role. The adoption of an “oversight report” is one such task. The following diagram illustrates the various oversight intervention points from the adoption of the Integrated Development plan (IDP), Budget, Annual Report and Oversight Report.



Source: MFMA Circular 32

4 THE ANNUAL REPORT

Each municipality and each municipal entity must prepare an annual report for each financial year in accordance with the MFMA and MSA. The purpose of the annual report is:

- to provide a record of the activities of the municipality or entity;
- to provide a report on performance in service delivery and against the budget;
- to provide information that supports the revenue and expenditure decisions made; and
- to promote accountability to the local community for decisions made.

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets outlined in their strategic plans. Annual reports are therefore required to contain information on service delivery and outcomes, in addition to financial statements. It is meant to be a backward-looking document, focusing on performance in the financial year that has just ended. It must demonstrate how the budget was implemented and the results of service delivery operations for that financial year.

When tabled, the annual report should include four main components, each of which has an important function in promoting governance and accountability. The main components are:

- The annual performance report as required by section 46 of the MSA.
 - Annual Financial Statements submitted to the Auditor-General;
 - The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
 - The Auditor-General's audit report on performance in terms of section 45(b) of the MSA.
- In addition, Municipality's Audit and Performance Audit Committee also provide a report.

The 2022/23 Draft Annual Report was tabled on 12 December 2023 and Councillors were informed that they have an opportunity to review the report and submit any comments / corrections / omissions to the administration.

5 THE OVERSIGHT REPORT

The oversight report is the final step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its municipality and municipal entities and to adopt an "oversight report" containing the council's comments on the Annual Report.

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.

The oversight report is a report of the Municipal Council and follows consideration and consultation on the annual report by the Council itself. Thus the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

6 MANDATE AND PROCESS FOLLOWED BY THE MPAC COMMITTEE

MFMA Circular 32 of 2006 guides the oversight process. This Circular must be read in conjunction with The Department of Cooperative Governance Guideline for Establishment of Municipal Public Accounts Committees (MPAC), which sets out the functions of MPAC including the consideration and evaluation of the content of the annual report and the making of a recommendation to council when adopting an oversight report on the annual report.

MPAC comprises the following members appointed by the Municipal Council:

NAME	DESIGNATION
Ald D Jantjies	Chairperson
Ald J Nieuwoudt	Member
Cllr R Louw	Member

A special MPAC meeting was convened on 23 January 2023 to review the draft 2022/23 Annual Report and to compile the oversight report.

The process followed by the Committee in considering the annual report was as follows:

- *Consideration of any representations / comments received from the community / Auditor-General / Provincial Treasury, Department of Local Government and Cape Agulhas Audit Committee*
- *An opportunity was given to the Municipal Manager, Director Finance and Internal Auditor to provide input prior to consideration by MPAC.*
- *An opportunity was given to MPAC members to ask questions and seek clarification on any matter relating to the 2022/23 annual report.*
- *The formulation of a recommendation to Council in respect of the 2022/23 draft Annual Report.*

7 CONSIDERATION OF ANY REPRESENTATIONS / COMMENTS RECEIVED

The Draft 2022/23 Annual Report was made available for public comment from 15 December 2023 to 15 January 2024. It was advertised in the press and placed on the Municipal website. It was also submitted to the Provincial Department of Local Government, Provincial Treasury, Auditor General and Cape Agulhas Audit Committee. The closing date for comments was 15 January 2024.

No comments were received.

8 REMEDIAL ACTIONS IN RESPECT OF RECOMMENDATIONS AS CONTAINED IN THE 2020/21 OVERSIGHT REPORT

The Council considered the Oversight report for 2021/22 on 30 March 2023 and resolved as follows:

RESOLUTION 48/2023

- i. That Council adopts the 2021/22 Oversight Report and approve the 2021/22 Annual Report without reservations in terms of Section 129 (1)(a) of the Local Government Municipal Finance Management Act, Act 56 of 2003.
- ii. That the accounting officer submit copies of the minutes of this Council Meeting to the Auditor-General, the relevant Provincial Treasury and the Provincial Department responsible for Local Government in the Province.
- iii. That the accounting officer make the Oversight Report public in accordance with section 21A of the Municipal Systems Act.

Since Council approved the report without reservations there is no report on remedial actions.

9 CONSIDERATION AND REVIEW OF THE 2022/23 DRAFT ANNUAL REPORT

MPAC are satisfied with the 2022/23 Annual Report and recommend that it be approved without reservations.

10 RECOMMENDATIONS FOR IMPROVEMENT

The Committee raised a concern that their oversight role is limited due to exclusion of opposition councillors in some key processes and activities and recommend that measures be put in place to enhance the oversight role of MPAC.

11 RECOMMENDATION

That it be recommended to Council that the 2022/23 Annual Report be approved without reservations.



CHAIRPERSON: ALD D JANTJIES

DATE

25/01/2024



MINUTES OF A SPECIAL MPAC MEETING HELD ON MONDAY, 23 JANUARY 2024 AT 09:00 IN THE COUNCIL CHAMBERS, BREDASDORP

1. **ATTENDANCE**

MEMBERS

Alderman D Jantjies	Chairperson
Alderman J Nieuwoudt	Committee Member
Councilor R Louw	Committee Member

OFFICIALS

Mr Z Baca	Internal Auditor
Mr G Saal	Senior Internal Auditor
Ms T Stone	Divisional Head: Strategic Services, Planning and Administration
Mr H Van Biljon	Acting Municipal Manager
Mr H Kröhn	Director Infrastructure Services
Ms N Mhlali-Musewe	Divisional Head: HR & OD
Mr O January	Manager: Economic Development & Tourism Promotion
Mr R Sefoor	Manager: Supply Chain Management
Mr W Van Zyl	Manager: ICT
Mr D Van Wyk	Manager: Revenue
Ms C Conradie-Lötter	Manager: Library Services
Ms L Smith	Manager: Human Development
Mr E Everts	Acting Manager: Protection Services
Mr S Cooper	Manager: Electricity Services & Fleet Management
Mr W Linnert	Manager: Solid Waste Management Services
Mr B Neale	Manager: Water and Sanitation
Ms S Nel	Manager: Town- & Regional Planning
Mr P Valentine	Acting Manager: Admin Support

COMMITTEE SERVICES

Ms C Dietrich	Administrative Officer: Committees
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2. **APPLICATIONS FOR LEAVE OF ABSENCE**

Mr EO Phillips
 Ms M Boyce
 Mr D Wasserman
 Ms M Saptou
 Mr M Briers
 Mr S Stanley
 Mr J Jamneck
 Mr P Pietersen

Absent without apology

Mr M Dennis

3. **OPENING AND WELCOMING**

The chairperson welcomed everyone present and wish all a very blessed and prosperous new year, whereafter Mr W Linnert opened the meeting with prayer.

4. **OVERVIEW AND PURPOSE OF THE OVERSIGHT PROCESS AND REPORT**

(MFMA Circular 32 attached Page 4 to 19)

RESOLUTION M1/2024

The Committee noted MFMA Circular 32 as attached on pages 4 to 19.

5. **REMEDIAL ACTIONS IN RESPECT OF RECOMMENDATIONS AS CONTAINED IN THE 2021/22 OVERSIGHT REPORT**

For information purposes, the 2021/22 Oversight Report is attached (**Pages 20 to 30**). The Council considered the Oversight report for 2021/22 on 30 March 2023 and resolved as follows:

RESOLUTION 48/2023

- (i) That Council adopts the 2021/22 Oversight Report and approve the 2021/22 Annual Report without reservations in terms of Section 129 (1)(a) of the Local Government Municipal Finance Management Act, Act 56 of 2003.
- (ii) That the accounting officer submit copies of the minutes of this Council Meeting to the Auditor-General, the relevant Provincial Treasury and the Provincial Department responsible for Local Government in the Province.
- (iii) That the accounting officer make the Oversight Report public in accordance with section 21A of the Municipal Systems Act.

In view of the fact that Council approved the report without reservations there is no report on remedial actions.

RESOLUTION : M2/2024

It was noted that in view of the fact that Council approved the 2021/22 report without reservations there is no report on remedial actions.

6. **CONSIDERATION OF COMMENTS RECEIVED ON THE 2022/23 ANNUAL REPORT**

The Draft 2022/23 Annual Report was tabled on 12 December 2023 where it was resolved as follows:

RESOLUTION 247/2023

- (i) That Council adopts the 2022/23 draft Annual Report as tabled by the Mayor in terms of Section 127(2) of the MFMA.
- (ii) That the 2022/23 draft Annual Report be made public and submitted to the relevant organs of state in terms of Section 127 of the MFMA.
- (iii) That the 2022/23 draft Annual Report be referred to the MPAC to perform the oversight process and compile the Oversight Report.

The Annual report was made available for public comment from 15 December 2023 to 15 January 2024. It was advertised in the press and placed on the Municipal website. It was also submitted to the Provincial Department of Local Government, Provincial Treasury, Auditor General and Cape Agulhas Audit Committee.

The following table provides a summary of comments received.

Stakeholder	Comments
Public	None
Provincial Department of Local Government	None
Provincial Treasury	None
Auditor General	None
Cape Agulhas Audit Committee (AC)	None (Reports attached as annexure C and D of the draft annual report)

RESOLUTION : M3/2024

The Committee noted that no comments was received on the 2022/23 Annual Report

7. OVERSIGHT AND REPORTING ON THE MUNICIPALITY'S 2022/23 ANNUAL REPORT

An opportunity was given to the acting Municipal Manager, Directors, Internal Auditor and managers to provide input prior to consideration of the report by MPAC.

MPAC members were then given the opportunity to make comments and ask questions on the 2022/23 annual report: NO clarification was required.

The Chairperson informed the meeting that the after considering the 2022/23 Draft Annual Report, the Committee is satisfied that it reviewed all evidence and information provided and that it adequately performed its oversight function as envisaged by Section 129 of the MFMA and that the Committee is in a position to make an informed recommendation to Council to: **Approve the 2022/23 Annual Report with reservations**

The Committee raised a concern that their oversight role is limited due to exclusion of opposition councillors in some key processes and activities and recommend that measures be put in place to enhance the oversight role of MPAC. this is particularly important in view of the responsibilities contained in the MPAC workplan.

RESOLUTION M4/2024

- (i) That MPAC recommend to Council that the 2022/23 Annual Report be approved without reservations.
- (ii) That measures be put in place to enhance the oversight role of MPAC through participation in key processes and activities..

8. ADJOURNMENT

The meeting was adjourned.

CONFIRMED ON THIS 25th day of JANUARY 2024



CHAIRPERSON