



KAAP AGULHAS MUNISIPALITEIT  
CAPE AGULHAS MUNICIPALITY  
U MASIPALA WASECAPE AGULHAS



# CAPE AGULHAS MUNICIPALITY

OVERSIGHT REPORT 2021/22

30 March 2023

Resolution 48/2023

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## 1 INTRODUCTION

This document constitutes the Oversight Report on the 2021/22 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:

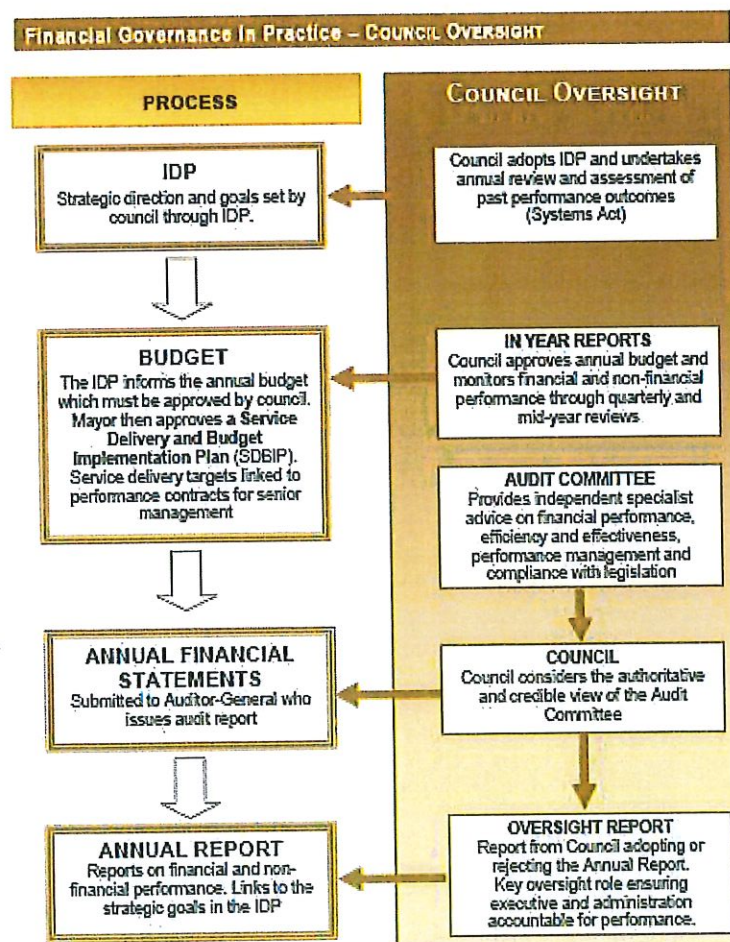
FUNCTIONARY	RESPONSIBLE FOR	OVERSIGHT OVER	ACCOUNTABLE TO
Council	Approving policy and budget	Executive Mayor or Committee	Community
Executive Mayor or Committee	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	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:

- o to provide a record of the activities of the municipality or entity;
- o to provide a report on performance in service delivery and against the budget;
- o to provide information that supports the revenue and expenditure decisions made; and
- o 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:

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

The 2021/22 Draft Annual Report was tabled on 31 January 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:

- o has approved the annual report, with or without reservations;
- o has rejected the annual report; or
- o 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 15 March 2022 to review the draft 2021/22 Annual Report and to compile the oversight report.

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

- o Consideration of any representations / comments received from the community / Auditor-General / Provincial Treasury, Department of Local Government and Cape Agulhas Audit Committee
- o An opportunity was given to the Municipal Manager, Director Finance and Internal Auditor to provide input prior to consideration by MPAC.
- o An opportunity was given to MPAC members to ask questions and seek clarification on any matter relating to the 2021/22 annual report.
- o The formulation of a recommendation to Council in respect of the 2021/22 draft Annual Report.

## 7 CONSIDERATION OF ANY REPRESENTATIONS / COMMENTS RECEIVED

The Draft 2021/22 Annual Report was made available for public comment from 3 February 2022 to 3 March 2022. 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 3 March 2023.

The following is a summary of comments received:

STAKEHOLDER	COMMENTS
Public	One late submission that refers to the 2020/21 Annual Report and which is identical to the previous year's submission which was disregarded as it is not relevant to the correctness of the Annual Report.



Provincial Department of Local Government	None
Provincial Treasury	<p><b>“3 Black Economic Empowerment</b>  <i>B-BBEE Compliance section has been included under Chapter 2, Section 2.4.10 (Supply Chain Management). The only information provided is a summary of B-BBEE spending for the financial year (table 78). If the required information as per the B-BBEE Act is available, it should be included in the Final Annual Report. The B-BBEE Commission has also done an explanatory notice (02 of 2021) on detail of what should be included which could assist in the formulation of the required information”</i></p> <p><b>Response:</b> The Municipality does not have the information available in the format required. It is quite a costly exercise to do so as outside expertise is required. Provision will be made on the budget for this so that it can be reported on in the next financial year.</p> <p><b>2.2 Format and content of the Annual Report as per MFMA Circular 63</b>  <i>“The full list of Annexures as per MFMA Circular 63 has not been included. The Municipality can consult the Annual Report Template for a full list of the Annexures that should be appended to the Annual Report”</i></p> <p><b>Response:</b> The annexure list comprises 20 annexures, and includes annexures for interalia</p> <ul style="list-style-type: none"> <li>o Appendix A: Councillors; Committee Allocation and Council Attendance</li> <li>o Appendix B: Committee and Committee Purpose</li> <li>o Appendix C: Third Tier Administrative structure</li> <li>o Appendix D: Functions of Municipality/Entity</li> </ul> <p>As we are a small Municipality the information required for each annexure is not extensive and our practice is to include it in the main body of the annual report instead of a separate annexure, to enhance the ease of reading what is already a very complex report. All information that is required is incorporated in the Annual Report.</p>
Auditor General	None
Cape Agulhas Audit Committee (AC)	“The audit committee values and notes the input from Provincial Treasury and AGSA and are satisfied with the correctness and completeness of the annual report.”

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

The Council considered the Oversight report for 2020/21 on 31 January 2022 and resolved as follows:

**RESOLUTION 4/2022**

- (i) That Council adopts the 2020/21 Oversight Report and approve the 2020/21 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 2021/22 DRAFT ANNUAL REPORT**

MPAC noted the comments received on the Annual Report and requested the Director Finance and IT to assess the reporting requirements to comply with the B-BBEE Act for inclusion in the next Annual Report

MPAC are satisfied with the 2021/22 Annual Report and recommend that it be approved without reservations.

**10 RECOMMENDATION**

That it be recommended to Council that the 2020/21 Annual Report be approved without reservations.

  
\_\_\_\_\_  
CHAIRPERSON: ALD D JANTJIES

24-3-2023  
DATE





**MINUTES OF A SPECIAL MPAC MEETING (OVERSIGHT REPORT) HELD ON WEDNESDAY, 15 MARCH 2023 AT 08:45 IN THE COUNCIL CHAMBER, BREDASDORP**

1. **ATTENDANCE**

**MEMBERS**

Alderman D Jantjies	Chairperson
Cllr R Louw	Committee Member (Joined the meeting at 08:55)
Ald J Nieuwoudt	Committee Member

**OFFICIALS**

Mr B Swart	Internal Auditor
Mr Z Baca	Senior Internal Auditor (Acting CAE)
Ms T Stone	Divisional Head: Strategic Services, Planning and Administration
Mr EO Phillips	Municipal Manager (Joined the meeting at 09:00)
Mr H Van Biljon	Director Financial Services
Mr S Cooper	Acting Director Infrastructure Services (Left meeting at 09:00 on request of the Municipal Manager to attend another meeting i.r.o loadshedding)
Mr GM Moelich	Acting Director Management Services
Ms N Mhlati-Musewe	Divisional Head: HR & OD

**COMMITTEE SERVICES**

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

Mr. H Kröhn

3. **OPENING AND WELCOMING**

The chairperson welcomed everyone present, whereafter Mrs C Dietrich opened the meeting with prayer.

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

(MFMA Circular 32 attached Page 4 to 19)

**RESOLUTION M2/2023**

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

5. **REMEDIAL ACTIONS IN RESPECT OF RECOMMENDATIONS AS CONTAINED IN THE 2020/21 OVERSIGHT REPORT**

For information purposes, the 2020/21 Oversight Report is attached (Pages 20 to 28). The Council considered the Oversight report for 2020/21 on 31 January 2022 and resolved as follows:

**RESOLUTION 4/2022**

- (i) That Council adopts the 2020/21 Oversight Report and approve the 2020/21 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 : M3/2023**

It was noted that in view of the fact that Council approved the 2020/21 report without reservations there is no report on remedial actions.

6. **CONSIDERATION OF COMMENTS RECEIVED ON THE 2021/22 ANNUAL REPORT**

The Draft 2021/22 Annual Report was tabled to Council on 31 January 2023 where it was resolved as follows:

**RESOLUTION 2/2023**

- |       |   |
|-------|---|
| (i)   | (i) That Council adopts the 2021/22 draft Annual Report as tabled by the Mayor in terms of Section 127(2) of the MFMA.                      |
| (ii)  | (ii) That the 2021/22 draft Annual Report be made public and submitted to the relevant organs of state in terms of Section 127 of the MFMA. |
| (iii) | (iii) That the 2021/22 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 3 February 2023 to 3 March 2023. 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 (One late submission that is identical to the previous years submission and refers to the 2020/21 Annual Report.) Page 29
Provincial Department of Local Government	None
Provincial Treasury	<p>Page 30 to 33</p> <p><b>3 Black Economic Empowerment</b></p> <p>a) B-BBEE Compliance section has been included under Chapter 2, Section 2.4.10 (Supply Chain Management). The only information provided is a summary of B-BBEE spending for the financial year (table 78). If the required information as per the B-BBEE Act is available, it should be included in the Final Annual Report. The B-BBEE Commission has also done an explanatory notice (02 of 2021) on detail of what should be included which could assist in the formulation of the required information.</p> <p><b>Response:</b> <i>The Municipality does not have the information available in the format required. It is quite a costly exercise to do so as outside expertise is required. Provision will be made on the budget for this so that it can be reported on in the next financial year.</i></p> <p><b>2.2 Format and content of the Annual Report as per MFMA Circular 63</b></p> <p>b) The full list of Annexures as per MFMA Circular 63 has not been included.</p> <p>c) The Municipality can consult the Annual Report Template for a full list of the Annexures that should be appended to the Annual Report.</p> <p><b>Response:</b> <i>The annexure list comprises 20 annexures, and includes annexures for interalia</i></p> <p>Appendix A: Councillors; Committee Allocation and Council Attendance Appendix B: Committee and Committee Purpose</p>



	Appendix C: Third Tier Administrative structure Appendix D: Functions of Municipality/Entity  <i>As we are a small Municipality the information required for each annexure is not extensive and our practice is to include it in the main body of the annual report instead of a separate annexure, to enhance the ease of reading what is already a very complex report. All information that is required is incorporated in the Annual Report.</i>
Auditor General	None
Cape Agulhas Audit Committee (AC)	The draft annual report for 2021/22 was submitted to the AC with a request to submit any input to Internal Audit. Their input will be provided at the meeting.

**The comments of the Chairperson of the Cape Agulhas Audit Committee were circulated at the meeting and are as follows:**

*"The audit committee values and notes the input from Provincial Treasury and AGSA and they are satisfied with the correctness and completeness of the annual report."*

**RESOLUTION : M4/2023**

- i The Committee noted the comments received from the Cape Agulhas Audit Committee and Provincial Treasury and that both were generally satisfied with the correctness of the 2021/22 Annual Report
- ii That the Director Finance and IT assess the reporting requirements to comply with the B-BBEE Act for inclusion in the next Annual Report
- iii That the late comment received from a member of the public be disregarded as it was late and is not relevant to the correctness of the Annual Report

**7. OVERSIGHT AND REPORTING ON THE MUNICIPALITY'S 2020/21 ANNUAL REPORT**

An opportunity was given to the Municipal Manager, Director Finance and Internal Auditor 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 2020/21 annual report:

In the absence of any questions the Chairperson informed the meeting that the Committee resolves as follows:

**RESOLUTION M5/2023**

- i) The Committee recommend that the annual report be approved without reservations.
- ii) That an item about complaints received from the community be put on the next Agenda of the MPAC for discussion.

**8. RECOMMENDED RESOLUTION ON THE 2021/22 ANNUAL REPORT**

**RESOLUTION M6/2023**

That it be recommended to Council that the 2021/22 Annual Report be approved without reservations

**9. ADJOURNMENT**

The meeting adjourned at 09:20

CONFIRMED ON THIS 24<sup>th</sup> day of MARCH 2023

  
\_\_\_\_\_  
CHAIRPERSON