

# MPAC

# Oversight Report

Xhariep District Municipality

2021/2022



## INTRODUCTION

### 1.1 Background

Xhariep District Municipality was established on 06 December 2001 as a result of section 21 of the Local Government Demarcation Act (Act 27 of 1998) this report is thus prepared based on and in accordance with the legislative requirements.

### 1.2 Purpose

To consider the Xhariep District Municipality's Annual Report for the 2021/22 financial year and to compile an MPAC Oversight Report containing Council's comments on the Annual Report in terms of section 129 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereafter referred to as the MFMA).

### 1.3 Regulatory Requirements

#### 1.3.1 Section 121(1), of the MFMA stipulates the following:

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.

#### 1.3.2 Section 121(2) of the MFMA states that the purpose of an 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.

#### 1.3.3 Section 121(3) of the MFMA states that the annual report of a municipality must include:

- (a) The annual financial statements of the municipality, and in addition, if section 122(2) applies, 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;
- (f) An assessment by the municipality's Accounting Officer of the municipality's 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 recommendations of the municipality's audit committee; and
- (k) Any other information as may be prescribed.

**1.3.4.** 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.

**1.3.5.** According to section 129(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-

- 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.

#### **1.4 Submission and Tabling of the Annual Report**

The Annual Report of the Municipality for the 2021/22 financial year was tabled in the Council at its meeting held on the **25<sup>th</sup> January 2023** in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 2003.

Council resolved during its meeting held on the **25<sup>th</sup> January 2023**:

- a) That Council adopts the Xhariep District Municipality's 2021/2022 Annual report.
- b) That the office of the Speaker and the Municipal Manager be mandated to convene an Oversight Committee to review the report thereon for the approval of the Council.
- c) That the 2021/2022 Annual Report be submitted to both of the Offices of the MEC for Local Government, Provincial Treasury, and the Auditor General for consideration.
- d) That the 2021/2022 Annual Report be made public.

#### **1.5 Appointment of the Oversight Committee**

An oversight committee was established by Council resolution no. 6.5 on the 25<sup>th</sup> January 2022 in terms of section 33 and 79 of the Municipal Structures Act, 117 of 1998. Council nominated 3 non – executive councilors to serve on the Oversight Committee. The following offices provides support to the Committee

- South African Local Government Association) SALGA,
- Free state Provincial Treasury (FSPT) and COGTA provide expert advice to the Committee when it's needed.
- The Manager Internal Audit provides technical assistance and expert advice
- Manager: Administration for administrative support

The committee consists of the following members:

<b>Initial and Surname</b>	<b>Designation</b>	<b>Position</b>
Cllr TI Phatsoane	Chairperson of the MPAC	Chairperson
Cllr IS Riddle	Councilor	Member
Cllr AN November	Councilor	Member

## **2. THE APPROACH, OBSERVATION AND CONCLUSION OF THE OVERSIGHT COMMITTEE**

### **2.1 The Approach**

The approach followed by the Oversight Committee includes obtaining and inspecting the Annual Report of the Xhariep District Municipality for the 2021/2022 financial year. The MFMA Circular 32 was used as a guiding tool or checklist to consider the Annual Report.

The issues raised by the Auditor-General South Africa (AGSA) were also thoroughly studied and the action plan to correct them.

### **2.2 Observations**

#### **a. Compatibility of Information**

Examination of the Annual report using the checklist contained in the MFMA Circular 32 to trace information contained in the Annual Report showed that reporting was done consistent to the document, and that there was an acceptable level of accuracy and completeness in the information reported on, based on comparisons made.

#### **b. Comments / objections received**

The committee found that the local community was invited via notices and the internet to submit comments and/or objections on the Annual Report. The period allowed for comments and/or objections was issued as stipulated in the Acts. However, no response was received at all.

#### **c. Implementation of the Action Plan to address issues raised by the Auditor General**

The committee considered all contents of the Annual Report and the Auditor-General's view and conclusions on reports included therein. Based on the findings of the Auditor-General, the remedial actions provided by management in the action plan developed to address deficiencies identified by the Auditor-General, the committee sought to determine the extent to which action plans have been implemented.

The committee found that there is positive progress regarding implementation of the action plan. Implementation of corrective measures to address all the issues included in this document is in progress.

d. Convening Section 32 of MFMA for Unauthorized, Fruitless and Wasteful Expenditure

The committee resolved Unauthorized, Irregular, Fruitless and wasteful expenditure should be investigated by MPAC and a report be tabled to ensure the reduction of some of the expenditure.

e. MFMA Circular No.32: Checklist on considering the annual Report of a Municipality

The criteria that was used by the Oversight Committee was as per the following check-list as prescribed by the MFMA circular No.32.

<i>Information required to be included in annual reports</i>	<i>REFERENCE/COMMENTS</i>	<i>√/X</i>
<i>Financial Matters</i>	<i>Reference/Comments</i>	
The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General	Page 116-182	√
The Auditor-General's reports on the financial statements of the municipality and the entities	Page 116-182	√
Any explanations that may be necessary to clarify issues in connection with the financial statements	Page 116-182	√
An assessment by the accounting officer on any arrears on municipal taxes and service charges,	N/A	-

including municipal entities	Xhariep District Municipality does not charge any rates and taxes because of the limited powers and functions and does not have entities	
Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	Page 183-199	√
An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget	Information incorporated in the AFS(page 119)	√
An assessment by the municipal entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and the municipality	N/A Xhariep District municipality does not have entities	-
Any information as determined by the municipality, the entity or its parent municipality	N/A Xhariep District municipality does not have entities	-
Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities	AFS were not reviewed by the Audit and Performance Committee due to non-functionality of the Audit and Performance Committee for the financial year 2021-2022.	√

<b><i>Allocations received and made Considerations</i></b>	<b><i>Reference/Comments</i></b>	
Allocations received by and made to the Municipality	Information incorporated in the AFS(148, 159 and 161-162)	✓
Allocations received by and made to the municipal entity	N/A Xhariep District municipality does not have entities	-
Information in relation to the use of allocations Received	Information incorporated in the AFS(148, 159 and 161-162)	✓
Information in relation to outstanding debtors and creditors of the municipality and entities	Information incorporated in the AFS(page 148 – 150debtors, Creditors page 155)	✓
<b><i>Disclosures in notes to AFS Considerations relating to section 124</i></b>	<b><i>Reference/Comment</i></b>	
Information relating to benefits paid by municipality and entity to councilors, directors and officials	Information incorporated in the AFS(page 163-164)	✓
<b><i>Municipal Performance</i></b>	<b><i>Reference/Comment</i></b>	
The annual performance reports of the municipality and entities	Page 45-76	✓
Audit reports on performance	Information contained in the Report of the Auditor General (page 45-76)	✓
Performance of municipal entities and <b>municipal service providers</b>	( page 87)	
For municipal entities – an assessment of the entity’s performance against any measurable performance objectives set in terms of the	N/A Xhariep District municipality does not have entities	-

service delivery agreement or other agreement between the entity and municipality		
<b>General information</b>	<b>Reference/Comment</b>	
Relevant information on municipal entities	N/A Xhariep District municipality does not have entities	-
The use of any donor funding support	N/A XDM did not have any donor funding support for the year under review	-
Agreements, contracts and projects under Private-Public-Partnerships	N/A XDM did not have any agreement, contracts and projects under Private-Public Partnership	-
Service delivery performance on key services provided	N/A	-
Information on long-term contracts	Appendix H( page 109-110)	
Information technology and systems Purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	Page 43	✓
Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	N/A MIG allocations are made to local municipalities as they are the ones that have infrastructure	-
<b>Other considerations recommended</b>	<b>Reference/Comment</b>	



Timing of reports	Annual report tabled before Council on the 25 <sup>th</sup> of January 2023	✓
Oversight committee or other mechanism	Oversight committee sat on the 9 <sup>th</sup> February 2023 to consider the annual report	✓
Payment of performance bonuses to municipal officials	No performance bonuses were paid to municipal officials in the year under review	✓

### 3. OBSERVATIONS

The Committee observed the following during the meeting of MPAC on the 9th February 2023:

- The Annual report is not reviewed and proof read by Directors as the Annual Report has a lot of grammar errors that could have been avoided, this is reoccurring finding from MPAC and the recommendation was not implemented by Municipal Manager.
- On the going concern, the municipality needs to schedule Special adjustments budget in August 2023 in order to write-off some of the Unauthorized Expenditure.
- IGR with Local Municipalities needs to be speedily to ensure Locals are more involved in the District.
- That the IDP be reported accordingly and ensure that Local attend the IDP Consultations.
- That Municipal Manager monitors the spending of Grants and ensure that there is 100% spending on Grants.
- Municipal Manager improves on Internal Controls, more on SCM and Contract Management.

### 4. RECOMENDATIONS

- a) Pursuant to section 129 (1) of the Municipal Finance Management Act, the Municipal Public Account Committee recommends to Council to approve and adopt the annual report of the municipality without any reservations.
- b) That Annual Report for 2022 – 2023 be presented to MPAC with inputs from Directors and signed in order to ensure accountability and reliability on the Annual Report for such grammar errors.



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**Cllr TI Phatsoane**  
**Chairperson**