



JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

OVERSIGHT REPORT ON ANNUAL REPORT 2021/2022 27 MARCH 2023

BY SERVING WE GOVERN

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MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEMBERS

1. Chairperson: Councillor Thataetsile Motsoare
2. Member : Councillor Keikantsemang Novility Tswere
3. Member : Councillor Oldridge Djundju Mathibe
4. Member : Councillor Mosadiwapula Filipino
5. Member : Councillor Mthuthuzeli Elliot Valela
6. Member : Councillor Pheny Joseph Ohentswe
7. Member : Kebolelang Sandra Setlhodi
8. Member : Councillor Boitumelo Ignatius Sebego
9. Member : Councillor Thapelo George Mosegedi

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1. INTRODUCTION

The Municipal Public Account Committee (MPAC) has the responsibility to provide oversight to support the performance of the municipality in terms of the legislative requirements. On the 31st of January 2023 the Executive Mayor tabled in council of John Taolo Gaetsewe District Municipality the 2021/22 Annual Report.

Council considered the report and referred it to the Municipal Public Account committee for review and drafting of the Oversight report as per Council Resolution No. **6.3.31/01/2023**.

Once tabled, the Annual Report must be subjected to public participation conducted by the Municipal Public Accounts Committee (MPAC). The oversight report on the tabled Annual Report must be submitted by the Municipal Public Accounts Committee within two months of tabling.

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the Council to consider the Annual Report and to adopt an Oversight Report containing the Council's comments on the Annual Report not later than two months from the date on which the Annual Report was tabled in the Council in terms of section 127 of the MFMA, adopt an oversight report containing the Council comments which must include a statement whether the Council:

- Has approved the Annual Report with or without reservations
- Has rejected the Annual Report
- Has referred the Annual Report back for revision of those components that can be revised.

As required by section 129(2) (a) of the MFMA, the Municipal Manager did attend the Council and the Council C=committee where the Annual Report was discussed, for purpose of responding to questions concerning the report.

2. CHAIRPERSON'S FOREWORD

John Taolo Gaetsewe District Municipality' Municipal Public Accounts Committee (MPAC) members, are committed in playing their oversight role with great determination and dignity, in a manner that is fair and just, within the John Taolo Gaetsewe District Municipality.

Since the establishment of the MPAC Committee by Council on the 3rd December 2021, the committee has been fully functional and dealing effectively with all the matters as referred by Council.

The following are amongst others, matters that were considered by the committee:

2.1. Consideration of the 2021/2022 Annual Report

This report therefore seeks to outline and detail the overall outcome of the processes followed by the committee, in playing its oversight role on the Annual Report 2021/22 as required by legislation.

2.2. Process followed by MPAC

The Committee based its work on the following documents:

- a. Council Resolution No. **6.3.31/01/2023**
- b. 2021/22 Annual Report including:
 - Audited Annual Performance Report 2021/22
 - Audited Annual Financial Statements 2021/22
 - Auditor General's Report 2021/22
 - Audit committee Report
- c. Section 129 of the MFMA
- d. NT's Circular 32 – The Oversight Report
- e. Treasury's Annual Report Checklist

The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual report of the municipality and adopt an oversight 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
- Has referred the annual report back for revision of those components that can be revised

In performing its oversight role, the committee scrutinized the Annual Report and the findings are as outlined on the tabled below:

No	Question	Yes	No	Comments
1.	Was the annual report submitted to the Auditor-General, together with the annual financial statements by, the 31st August?	√		
CHAPTER 1				
2.	Does Chapter 1 of the annual report include: – The Mayor's/Executive mayor's foreword, – The municipal manager's foreword, – Municipal overview?	√		
CHAPTER 2				
3.	Does Chapter 2 of the annual report include the Governance Structures, both Political and Administrative?	√		
4.	Does Chapter 2 of the annual report include details of Intergovernmental relations?	√		
5.	Does Chapter 2 on Governance in the annual report include details on all public accountability and public participation meetings and the IDP participation & alignment?	√		
6.	Does Chapter 2 on Governance in the annual report address risk management issues?	√		
7.	Does Chapter 2 of the annual report address anti-corruption and fraud?	√		
8.	Does Chapter 2 on Governance in the annual report address supply chain management issues?	√		
9.	Does Chapter 2 on Governance in the annual report address By-laws?	√		
10.	Does Chapter 2 on Governance in the annual report address the website(s) where information is available?	√		
11.	Does Chapter 2 on Governance in the annual report share information on public satisfaction on municipal services?	√		
12.	Does Chapter 2 in the annual report address the municipal oversight committees?	√		

No	Question	Yes	No	Comments
CHAPTER 3				
13.	Does Chapter 3 in the annual report demonstrate what service delivery has been achieved and what is outstanding?	√		
14.	In Chapter 3 of the annual report, are the service delivery issues structured, captured and reflected under each priority as contained in the IDP to allow for easy comparisons on achievements against budget and SDBIP?	√		
CHAPTER 4				
15.	Does Chapter 4 of the annual report provide information pertaining to the implementation of an effective performance management system, organisational development and performance of the municipality?	√		
16.	Does Chapter 4 of the annual report provide information on planning, service delivery, organisation, job evaluation, remuneration, benefits, personnel expenditure, affirmative action, recruitment, promotions, termination of services, performance management, skills development, injury on duty, labour relations, leave and discharge due to ill-health?	√		
17.	Does Chapter 4 of the annual report provide information to identify skills gaps and plans for the development of such skills?	√		
CHAPTER 5				
18.	Has Chapter 5 of the annual report on financial performance include information divided into the following framework: a) Statement of financial performance b) Spending against Capital budget c) Cash flow management and investment d) Other financial matters?	√		
CHAPTER 6				

No	Question	Yes	No	Comments
19.	Does Chapter 6 of the annual report include the Auditor-General's Report as submitted by the Auditor-General?	√		
20.	Does Chapter 6 of the annual report include details on issues raised during the previous financial year by the Auditor-General?	√		
21.	Does Chapter 6 of the annual report include remedial action taken to address issues raised during the previous financial year by the Auditor-General and preventative measures?	√		
APPENDICES				
22.	Is an Appendix A on Councillors; Committee allocation and council attendance included?	√		
23.	Is an Appendix B on Committee and Committee purpose included, listing all committees of the council, the purpose of each committee and the names of councillors serving on them and the attendance of each councillor?	√		
24.	Is an Appendix C include an organogram of the administrative structure?	√		
25.	Is an Appendix D included on what constitutes a municipal function and the applicable functions of the municipality?	√		
26.	Is an Appendix E on Ward reporting included with information on the functions of ward committees, the sector of community representation, reports submitted by each of these committees' challenges experienced and measures taken to address them?		x	Not applicable to JTG District Municipality
27.	Is an Appendix F on Ward information included outlining the name/number of the ward, listing the seven largest projects in each ward		x	Not applicable to JTG District Municipality

No	Question	Yes	No	Comments
	with start & end dates, their total value, progress and information on the top four delivery priorities per ward?			
28.	Is an Appendix G included on recommendations of the audit committee, those adopted, those that were not adopted and the meetings held?	√		
29.	Is an Appendix H included on information related to the largest projects, agreements and contracts and any Public, Private Partnerships?		x	There are no public private partnerships
30.	Is an Appendix I include service provider performance schedule from the top four priority indicators in the IDP?	√		
31.	Is an Appendix J included with senior managers' disclosures of financial interest?	√		
32.	Is an Appendix K included on Revenue collection by votes and by source based on prior year and current year actual collections?	√		
33.	Is an Appendix L included on Conditional Grants received (excluding MIG) received during the year indicating adjustments budget and the actual, showing percentage variances and any major conditions applied by donors on each grant?	√		
34.	Is an Appendix M included on capital expenditure: a) On new assets programme, b) On upgrade/renewal programmes Showing the actual of the prior year, the adjusted budget and actual expenditure in the current year?	√		
35.	Is an Appendix N on all capital projects in the current financial year, indicating the adjusted budget, actual in the current year and the variance?	√		
36.	Is an Appendix O included on all capital projects per ward in the current financial year and if the work was completed or not?	√		

No	Question	Yes	No	Comments
37.	Is an Appendix P included on service connection backlogs at schools and clinics with their names and location?		x	Function is performed by local municipalities
38.	Is an Appendix Q included with all service backlogs experienced by the community where another sphere of government is responsible for providing the service?	√		
39.	Is an Appendix R included listing all organisations or person in receipt of loans and grants; from the municipality stating the nature of the projects funded, conditions attached and the rand value?	√		
40.	Is an Appendix S included listing all monthly MFMA S71 budget statements not submitted in time?	√		
41.	Is an Appendix T included for powers and functions not covered in other sections of the annual report?		x	N/A
VOLUME 2				
42.	Have all components of the audited financial statements, as signed by the auditor-General, been included in the annual report in Volume 2?	√		
VOLUME 3				
1.	Has the target for the period under review been reached?	√		
2.	If not, what are the reasons for not achieving the targets?			N/A
3.	If the target has been reached what is the backlog that still requires elimination?			N/A
4.	How has the municipality arrived at the figures for backlogs?			N/A

No	Question	Yes	No	Comments
5.	At the current pace of delivery and funding, when could we expect to eliminate the backlog?			N/A
6.	If the rate of delivery of the basic service is too slow to eliminate backlogs, then what do we need to do to accelerate delivery?			N/A
7.	Are conditional grants used effectively and what was the spending levels?	√		Conditional grants were 100% fully spent.
9.	If there was underspending on grants provided for service delivery, what is the reasons for the underspending and what recommendations have been provided to improve performance?			N/A

IMPROVING COMPLIANCE WITH LAWS AND REGULATIONS

In many instances municipalities have a series of strategies, plans and policies to deal with for non-compliance with laws and regulations, fraud and corruption, however, implementation and follow through has been weak. The failure to attend to such matters in the administration and council on a timely basis would assist in improving compliance with laws and regulations and in reducing fraud and corruption or allegations thereof, or sending the key message that public funds must be utilised correctly. This has led to erosion of trust between municipality, its council and the public.

Some key questions which may be posed:

1.	Which policies and strategies are in place to deal with compliance with laws and regulations, fraud and corruption?	√		Fraud and Corruption Policy
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2.	Does the municipality have historical / baseline information regarding the extent of non-compliance, fraud and corruption in the organization?		x	No
3.	Are the strategies and plans to prevent non-compliance, fraud and corruption implemented and do we measure their outcomes?	√		
4.	If no, then how do we know they are effective?			
5.	If yes, then have we seen a decrease in the instances of non-compliance, fraud and corruption?	√		
6.	Has the Disciplinary Board provided recommendations on all investigations and these reported to Council, provincial and national government as required by the MFMA regulations on Financial Misconduct?		x	N/A
7.	During the year under review, have there been any disciplinary measures and/or criminal prosecutions for instances of fraud and corruption relating to the municipality involving either, municipal councillors, officials and/or private individuals or companies?		x	N/A

9.	What has been disclosed in the AFS and Annual Report and is it adequate?	√		N/A
10.	What was the outcome of the processes listed above?			N/A
11	What has the municipality done to recover losses resulting from fraudulent and corrupt activities?			N/A
12	Have these recoveries and/or losses been recorded in the AFS?			N/A

Auditor-General Reports: Types of Audit Opinions

1. Unqualified Audit with no findings

This means that Financial Statements are free from material misstatements (in other words, a financially unqualified audit opinion) and there are no material findings on reporting on performance objectives or non-compliance with legislation.

2. Unqualified Audit Opinion with findings

The financial statements contain no material misstatements. Findings have been raised on either reporting on predetermined objectives or non-compliance with legislation or both these aspects.

3. Qualified Audit Opinion

The financial statements contain material misstatements in specific amounts, or there is insufficient evidence to conclude that specific amounts included in the financial statements are not materially misstated.

4. Adverse Audit Opinion

The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.

5. Disclaimer of Audit Opinion

The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.

The Audit of reporting on predetermined objectives

Legislation requires auditees to report against their predetermined objectives and to submit such annual performance reports for auditing. The objective of the audit of predetermined objectives is to determine whether the reported performance against the auditees predetermined objectives in the annual performance report is useful and reliable in all material respects, based on predetermined criteria. This means that the reported performance information must be valid, accurate and complete.

The Audit of Compliance with Legislation

Legislation sets out the activities that auditees are charged with in serving the citizens and stipulate any limits or restrictions in such activities, the overall objectives to be achieved, and how due process rights of individual citizens are to be protected. Municipalities are subject to legislation such as the Municipal Finance Management Act and the Municipal Systems Act of which the objectives are proper financial management and performance management, transparency, accountability, stewardship and good governance.

The Public Audit Act requires the Auditor-General to audit compliance with legislation applicable to financial matters, financial management and other related matters each year. Material instances of non-compliance are reported in the audit report.

To enhance accountability, auditees must identify and fully disclose any unauthorised, irregular as well as fruitless and wasteful expenditure incurred. In most part, such expenditure is incurred as a result of non-compliance with legislation.

Auditor-General Reports: Report on the Financial Statements: Preceding Year

This part of the Annual Report refers to findings made by the Auditor-General during the previous year. These are important in that they seek to assess the extent to which the municipality has addressed findings from previous years so that ultimately the findings do not recur.

The Auditor-General also comments on the validity of performance information. The Auditor-General therefore also make findings on the veracity of performance information.

The progress made on addressing the Auditor-General previous findings can be addresses

by monitoring the implementation of the previous year Audit Action Plan and the progress thereof, to which the questions below would be useful.

Some questions to pose here may be as follows:

No	Question	Yes	No	Comments
1.	Has the municipality conducted an in-depth analysis of the previous findings with a view to establish the root causes of the findings?	√		
2.	What role has Internal Audit played in monitoring same?	√		
3.	Has the municipality developed a plan to address all the root causes of findings of the Auditor-General?	√		
4.	How has the municipality implemented and monitored the plan?	√		
5.	Has the municipality ensured that the issue of dealing with Auditor-General findings are reflected and assessed in the performance agreements of managers?	√		

No	Question	Yes	No	Comments
6.	What steps have been taken to ensure full implementation?	√		Monthly monitoring of grants.
7.	What could have been done better?			N/A
9.	Was there any consequence management applied to any officials who had failed in performing their duties to remedy previous findings of the Auditor-General?		X	N/A

The objectives of Annual Financial Statements in the Annual Report are:

- To Demonstrates whether resources were obtained and used in accordance with the municipality adopted budget, and in compliance with other finance-related legal or contractual requirements
- Assists users to assess service efforts, costs, and accomplishments of the municipality or entity.
- Shows whether current year revenues were sufficient to meet the cost of providing current year services

- To assist the municipality to be publicly accountable
- To assist users to evaluate the operating results by presenting information about
- How the municipality finances activities and meets cash flow requirements

The AFS consists of the following components:

1. Statement of Financial Position is a statement that reports on:

- (i) Assets -what the municipality owns or controls
- (ii) Liabilities -what the municipality owes
- (iii) net financial assets/net debt- liabilities minus financial assets
- (iv) accumulated surplus - what remains after the assets have been used to meet the liabilities? These remaining assets will be available to provide services to future periods.

2. Statement of Financial Performance is a statement that reports on:

- (i) revenues
- (ii) expenses
- (iii) results for a fiscal year or reporting period.

3. Statement of Change in Net Financial Assets (Net Debt) is a statement that:

- (i) explains the difference between the annual surplus or deficit and the change in net financial assets (net debt)
- (ii) reports spending to acquire tangible capital assets and inventories of supplies reports disposal of tangible capital assets and the use of inventory.

4. Statement of Cash Flow

Is a statement that provides details on changes in cash and cash equivalents since the previous reporting period by:

- (i) Identifying where cash came from
- (ii) Showing how cash was used.

5. The Variances between budgeted and actual amounts in the above statements provides:

- (i) Details of budgets and actual amounts
- (ii) The reasons for variations, should those variations be material

Some pointers and questions which may be posed in relation to the AFS are as follows:

No	Question	Yes	No	Comments
1.	Councillors should review the	√		

No	Question	Yes	No	Comments
	disclosures to the AFS as these contain much detail that underpin and explain what is in the AFS.			
2.	Councillors should review the audit opinion as provided by the Auditor-General.	√		
3.	Councillors should request from the administration any comments received by the Audit Committee, Provincial or National Government.	√		
4.	How adequate are the municipalities internal controls [in general/over the Income, Expenditure and Cash Flow area?	√		
5.	Is there adequate segregation of duties?	√		
6.	Have the auditors made any recommendations for improvements in controls?	√		
7.	What were they? Why were these problems not discovered and fixed before the auditors noticed them?			
9.	Have these recommendations been implemented? If not, why not?	√		
10.	Why did Income or Revenue [increase/decrease] so much from last year?			Decrease in Revenue.

No	Question	Yes	No	Comments
11	Are our key sources of revenue rising or falling (either in Rand terms or as a percentage of the total), and why? Same for types of expenses -especially personnel costs.			<p>1. There has been a decrease due to non-participation of local municipalities on Administration and management fees of Internal Audit Services.</p> <p>2. District Municipal Planning Tribunal contract ended.</p>
12	Are our key sources of expenditure rising or falling (either in Rand terms or as a percentage of the total), and why?			<p>Increased due to annual escalations in:</p> <p>1. Employee related cost Contracted services</p>
13.	Do we use the budget as a management tool for early warning of impending problems and action required, evaluation of management performance, identification of opportunities, etc.?	√		
14	Are there any liabilities which have not been recorded? Why not?		x	
15.	<p>What is our spending percentage (in relation to overall spend) for:</p> <ul style="list-style-type: none"> • Operating Budget? • Capital Budget? • What are the reasons for the over/under spending for the above? • What steps are being taken to ensure that this over / under spend does not recur? 			
16.	What is the spending on repairs and maintenance? (should be around 8% of total fixed assets spend i.e. For every R10 spent on building/replacing infrastructure, R0.80 should be spent every year on repairs and maintenance.)			R1 759 117.00

No	Question	Yes	No	Comments
17.	Is this spend sufficient for proper repair and maintenance of assets?	√		
18.	If not what steps are being taken to ensure that proper provision is made for repairs and maintenance?			N/A
19.	What is in the category identified as miscellaneous, other or general [income, expense, assets, liabilities]?			Relates to Insurance refunds
20.	Do you believe that our accumulated surplus is adequate? If not, what are we doing about it?	√		
21.	Are we better or worse off financially than we were a year ago? Why?			Better because cash flow improved over the past two years.
22.	Are there any concentrations of credit / debt risk?		x	Credit risk consists only of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.
23.	The AFS shows several variances. Does this not indicate a lack of cohesive planning or lack of proper risk management?		x	
24.	What steps have been taken to ensure adequate ICT security in the organization? (This is especially important where organizations conduct all of most of its transactions via the Internet)			Firewall in place to ensure incoming and outgoing connections are monitored.
25.	How has the municipality managed improved austerity measures?			Municipality has adopted the cost containment policy which limits the following: <ul style="list-style-type: none"> • extensive travelling, • meetings on zoom, • limited advertisement on newspapers, Catering limited to meetings and workshops held more than 5 hours

No	Question	Yes	No	Comments
26.	Was the municipality able to realise savings as a result of austerity measures?	√		
27.	If yes, where were those savings utilized?	√		
28.	Please quantify and explain the extent of arrears / non-payment on properties and land owned by the municipality including housing rental stock.		x	N/A Monthly rental income received.
29.	Have any debts been written off?		x	
30.	If so what are the circumstances?		x	N/A
31.	Were the write-offs done in compliance with the applicable municipal policy?		x	N/A

The committee considered the fact that the municipality received an **Unqualified Audit with findings audit outcome for 2021/22 financial year**. This outcome is a regress as compared to the previous 3 years, where the municipality received an unqualified without findings audit opinion. The municipality however strives to ensure

improvement given its strengths which includes but are not limited to:

1. Responsiveness of the Council, Council Committees, Management team and municipal staff on issues pertaining to improved systems.
2. Effectiveness of the Risk and Internal Audit functionaries within the municipality as well as the Advisory of the Audit, Risk and Performance Management Committee
3. Continued improvements on the functionality and operations of the core financial management system.
4. Success in data migration processes conducted
5. Development of and monitoring implementation of the Audit Action Plan, aimed at addressing other matters that the Office of the Auditor General emphasized on during the previous audits.

Furthermore, the plan that was developed to address the going – concern issues of prior period,

was fully implemented and monitored on an ongoing basis.

3. PUBLIC PARTICIPATION

The committee considered the requirements of section 127(5) of the Municipal Finance Management Act (MFMA), and confirmed;

- a. that the Annual Report was made public and submitted to the relevant institutions as required
- b. No comments were received from the local community as at the date of the sitting of the committee.

4. RECOMMENDATIONS BY MPAC COMMITTEE

5.1. That Council approves the Annual Report 2021/22 without reservations

5.2. That the oversight report be submitted to relevant stakeholders

Signature



COUNCILLOR T MOTSOARE

MPAC CHAIRPERSON